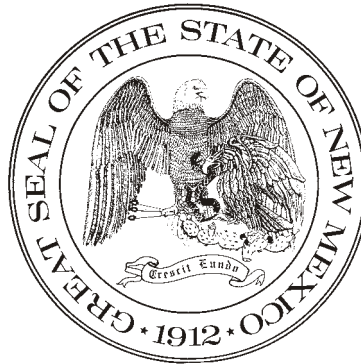


ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS COMMITTEE

FINAL REPORT 2005 INTERIM



Legislative Council Service
December 2005

2005 ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS COMMITTEE

INTERIM SUMMARY

The Economic and Rural Development and Telecommunications Committee held five meetings at several locations across the state during the 2005 legislative interim.

During its June meeting at the State Capitol, the committee approved its interim work plan and heard a presentation on the proposed Desert Rock Energy Project, a 1,500 megawatt electrical power generating plant consisting of two 750 megawatt units on the Navajo Nation, approximately 30 miles southwest of Farmington. (Details on presentations made to the committee can be found in the minutes of each committee meeting.)

During its July meeting, the committee met in Raton at the International Bank on July 12 and in Las Vegas at New Mexico Highlands University on July 13. In Raton, the committee heard presentations from: (1) Miner's Colfax Medical Center; (2) Herzog Environmental, operator of the Northeast New Mexico Landfill; (3) the Whittington Center shooting facility; and the (4) Raton Chamber of Commerce on the community's push to establish a racino. In Las Vegas on July 13, the committee heard presentations from: (1) New Mexico Highlands University President Manny Aragon; (2) the Las Vegas-San Miguel Economic Development Corporation; (3) the City of Las Vegas; (4) the Las Vegas-San Miguel Rural Development Response Council; and (5) the Las Vegas-San Miguel Chamber of Commerce.

During its August meeting, the committee met in Rio Rancho at Vista Grande Elementary School on August 11 and toured Eclipse Aviation in Albuquerque on August 12. In Rio Rancho, the committee heard presentations from: (1) the City of Rio Rancho; (2) Azulstar Networks, Inc.; and (3) the Public Regulation Commission and Qwest on the status of Qwest's alternative form of regulation and the Rural Extension Fund.

During its September 6 meeting in Santa Fe at the State Capitol, the committee heard presentations from: (1) the Economic Development Department; (2) WESST Corp; (3) the New Mexico Rural Development Response Council; (4) the New Mexico Recycling Coalition; and (5) the Cumbres and Toltec Scenic Railroad Commission.

During its October meeting, the committee met in Socorro at the New Mexico Institute of Mining and Technology on October 26 and in Santa Fe at the State Capitol on October 27. In Socorro, the committee heard from: (1) VALOR Telecommunications; (2) Sandia National Laboratories Small Business Assistance Initiative; (3) the New Mexico Department of Agriculture; (4) New Mexico State University regarding the Arrowhead Center and proposed aerospace engineering program; (5) the Research Technology Collaborative; (6) the National Center for Genome Research; and (7) the Public Education Department regarding rural education. In Santa Fe, the committee heard presentations from the New Mexico Gaming Control Board and the New Mexico Racing Commission.

During its final November meeting, the committee met in Santa Fe at the State Capitol. On November 17, the committee heard presentations from: (1) the Tourism Department; (2) the New Mexico Manufacturing Extension Partnership; (3) the Construction Industries Division of the Regulation and Licensing Department; and (4) the Business Incubator Certification Program Advisory Committee of the Economic Development Department. On November 18, the committee heard a presentation from Ears XXI, a digital film studio, on its plans for Project Alternative Hollywood. The committee also considered and approved its list of bills to be sponsored by the committee and its endorsements of other requests presented to the committee. That document can be found in the report appendix.

2005 APPROVED WORK PLAN
for the
ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS
COMMITTEE

Members

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair
Rep. Hector H. Balderas
Rep. Jose A. Campos
Rep. Daniel R. Foley
Sen. Mary Jane M. Garcia
Rep. Dianne Miller Hamilton
Sen. Clinton D. Harden, Jr.

Sen. Carroll H. Leavell
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez
Rep. Kathy A. McCoy
Rep. Andy Nunez
Sen. John Pinto
Sen. William E. Sharer
Sen. Leonard Tsosie

Advisory Members

Sen. Ben D. Altamirano
Rep. William "Ed" Boykin
Rep. Ernest H. Chavez
Sen. Dianna J. Duran
Sen. Phil A. Griego
Rep. John A. Heaton
Rep. Ted Hobbs
Sen. Stuart Ingle

Sen. Timothy Z. Jennings
Sen. Steven P. Neville
Rep. Al Park
Sen. Lidio G. Rainaldi
Rep. Debbie A. Rodella
Rep. Harriet I. Ruiz
Sen. John C. Ryan
Rep. Richard D. Vigil

PROPOSED WORK PLAN

The Legislative Council has appointed an interim committee to explore economic and rural development and telecommunications activities and issues within the state for over a decade. During the 2005 interim, the committee proposes to address the following topics:

- (1) the status of economic development programs and activities of the Economic Development Department;
- (2) creation of the Technology Research Consortium at the New Mexico Institute of Mining and Technology pursuant to Senate Bill 169 passed in 2005;
- (3) economic development issues in the Raton and Las Vegas areas;
- (4) activities of the Tourism Department and the impact on economic development;
- (5) economic development and electric and telecommunications utilities;
- (6) community alternatives for dealing with major economic events; and
- (7) other relevant issues that may be brought before the committee.

APPROVED 2005 BUDGET AND MEETING SCHEDULE
for the
ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS
COMMITTEE

The committee proposes to hold five meetings on the following dates in the following locations with the associated costs**

<u>DATES</u>	<u>LOCATIONS</u>	<u>COST</u>
June 17	Santa Fe	\$ 6,129
July 12-13	Raton and Las Vegas	12,434
August 11-12	Albuquerque	9,923
September 6	Santa Fe	6,129
October 3-4	Socorro	8,347
November 17-18	Santa Fe	8,385
 TOTAL		 \$51,347*

*Numbers are rounded to the nearest dollar.

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**Budget does not include the \$42,238 in costs associated with the attendance of advisory committee members.

**TENTATIVE AGENDA
for the
ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS
COMMITTEE**

**June 17, 2005
Room 322, State Capitol
Santa Fe**

Friday, June 17

10:00 a.m. Call to Order

Development of Work Plan and Meeting Schedule

11:00 a.m. Adjourn

**TENTATIVE AGENDA
for the
ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS
COMMITTEE**

**July 12, 2005
International Room, International Bank
200 S. Second St.
Raton**

**July 13, 2005
Student Senate Chamber, Student Center
New Mexico Highlands University
Las Vegas**

Tuesday, July 12

10:00 a.m. Call to Order

10:15 a.m. Welcome
 —Mr. Joe Apache, Mayor, City of Raton

 Status of Health Care in the Raton Area
 —Mr. Donald R. Holl, CEO, Miners' Colfax Medical Center

 Environmental Issues
 —Mr. Joe Knibe, Herzog Environmental

 The Impact of Outdoor Recreation Resources
 —Mr. Mike Ballew, National Rifle Association, Whittington Center

 Post-Secondary Education and Economic Development
 —Ms. Ann Holl, The Learning Center

12:00 noon Lunch

1:30 p.m. Technology and Development Park
 —Mr. Pete Mileta, Jr., City Manager, City of Raton

 Proposed Racetrack/Casino at Former La Mesa Airport
 —Ms. Kandi Barks, Raton Chamber of Commerce

 City and County Issues
 —Mr. Pete Mileta, Jr., City Manager, City of Raton
 —Mr. Tom Garcia, Colfax County

 Colfax County Fair
 —Mr. Dusty Davis

3:00 p.m. Recess

Wednesday, July 13

9:00 a.m. Call to Order

9:15 a.m. Welcome

—Mr. Manny Aragon, President, New Mexico Highlands University

Economic Development Issues in the Las Vegas Area

—Dr. Luis Ortiz, Executive Director, Las Vegas San Miguel Economic
Development Corporation

Specific Issues:

Water Supply and Distribution

—Mr. Henry Sanchez, Mayor, City of Las Vegas

—Mr. John Avila, City Manager, City of Las Vegas

Economic Development Corporation

—Mr. Wayne Sonchar, Las Vegas San Miguel Rural Development
Response Council

Tourism

—Mr. Matt Martinez, Board Chairman, Las Vegas San Miguel
Chamber of Commerce

Telecommunications/ Broadband for Rural Communities

—Mr. Joel Scheinberg

Ecological Tourism

—Mr. Hugh H. Ley, San Miguel County Commissioner

Mainstreet Program/Housing

—Mr. Lawrence Quintana

12:00 noon Adjourn

Revised: August 10, 2005

**TENTATIVE AGENDA
for the
THIRD MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS
COMMITTEE**

**August 11, 2005
Vista Grande Elementary School
7001 Chayote Road
Rio Rancho**

**August 12, 2005
Eclipse Aviation
2503 Clark Carr Loop SE
Albuquerque**

Thursday, August 11

10:00 a.m.	Call to Order Approval of Minutes
10:15 a.m.	Welcome —Mr. Jim Owen, Mayor of Rio Rancho Rio Rancho Downtown Development Project —Mr. Jim Palenick, City Administrator, City of Rio Rancho Innovative Metro-Wide Voice Over Wi-Fi Telephone Service —Mr. Tyler Van Houwelingen, CEO and Founder of Azulstar Networks, Inc.
12:00 noon	Lunch
1:00 p.m.	Status Report on Qwest Alternative Form of Regulation (AFOR) and Rural Extension Fund —Mr. Mike Ripperger, Telecommunications Bureau Chief, Public Regulation Commission Presentation by Qwest on Alternative Form of Regulation (AFOR) and Rural Extension Fund —Mr. Leo Baca

Internet Access in Rural New Mexico
—Ms. Marianne Granoff, NM Internet Professionals Association

Friday, August 12

9:00 a.m.	Tour of Eclipse Aviation —Mr. Vern Raburn, CEO, Eclipse Aviation
12:00 noon	Adjourn

Revised: September 1, 2005

**TENTATIVE AGENDA
for the
FOURTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS
COMMITTEE**

**September 6, 2005
Room 322
State Capitol**

- 10:00 a.m. Call to Order
 Approval of Minutes of Meetings
- Economic Development Department Update
 —Mr. Rick Homans, Secretary, Economic Development Department
- 11:00 a.m. Tourism Department Update
 —Mr. Michael Cerletti, Secretary, Tourism Department
- 12:00 noon Lunch
- 1:00 p.m. WESST Corp
 —Ms. Belinda M. Jentsen, Director of Development
- Rural Development Response Council
 —Mr. Bill McCamley, Executive Director
- Recycling Business Tax Credit
 —Ms. Regina Wheeler, NM Recycling Coalition
- Cumbres & Toltec Scenic Railroad
 —Mr. Carl N. Turner

Revised: October 25, 2005

**TENTATIVE AGENDA
for the
FIFTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS
COMMITTEE**

**October 26, 2005
Galena Room, Macey Center
New Mexico Institute of Mining and Technology Campus
Socorro**

**October 27, 2005
Room 317
State Capitol
Santa Fe**

Wednesday, October 26

10:00 a.m. Call to Order

VALOR Telecom: Implementation of 2004 House Bill 24
—Mr. Bill Garcia, New Mexico Vice President of Regulatory and Government
Affairs and Chief Counsel Sandia Laboratories
—Update on Partnership with Small Business
—Ms. Marianne Johnston, Program Manager
—Mr. Gerald Olona, Olona, Inc., Albuquerque
—Mr. Reggie Ashbrook, Diana's Homegrown, Lemitar
—Mr. Bill Gracey/Mr. Phil Pohl, Controlled Agriculture Environment, Statewide

Small Agriculture Producer Matching Grant Program
—NM Department of Agriculture

12:00 noon Lunch

1:30 p.m. Genome Center for Excellence
—Mr. Stephen Kingsmore, President, National Center For Genome Resources

The Arrowhead Center
Technology Research Collaborative
—Dean Garrey Carruthers, College of Business Administration and Economics,
New Mexico State University

Aerospace Activities
—Dean Steven Castillo, Ph.D., College of Engineering, New Mexico State
University
—Thomas Burton, Ph.D., Chair, Mechanical Engineering Department, New
Mexico State University

Rural Education
—Jim Holloway, Ph.D., Assistant Secretary for Rural Education, Public
Education Department

Thursday, October 27

10:00 a.m. NM Gaming Board
 —Mr. Frank Baca, General Counsel

12:00 noon Lunch

1:30 p.m. NM Racing Commission
 —Mr. Julian Luna, Executive Director

Revised: November 17, 2005

**TENTATIVE AGENDA
for the
SIXTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS
COMMITTEE**

**November 17-18, 2005
Room 322, State Capitol
Santa Fe**

Thursday, November 17

- 10:00 a.m. Call to Order
- Approval of Interim Minutes
- Tourism Department
—Joshua Rosen, Deputy Secretary
- 11:00 a.m. New Mexico Manufacturing Extension Partnership
 —Raymond Sanchez
- 12:00 noon Lunch
- 2:00 p.m. Construction Industries Division/Regulation and Licensing Department
 —Lisa Martinez, Director
- Business Incubator Certification Program Advisory Committee/Economic
Development Department
—Marie Longserre, Advisory Committee Chair and President of the Santa Fe
Business Incubator

Friday, November 18

- 9:00 a.m. Call to Order
- 9:15 a.m. Film Industry Representatives
 —Christopher Coppola
 —Nicolas Paine
 —Jon Hendry
- 9:45 a.m. Incentives for Jobs
 —Carol Radosevich
- 10:15 a.m. Continued Consideration of 2006 Legislative Requests
- 12:00 noon Adjourn

**MINUTES
of the**

**FIRST MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT
AND TELECOMMUNICATIONS COMMITTEE**

**June 17, 2005
State Capitol, Room 322
Santa Fe**

The organizational meeting of the Economic and Rural Development and Telecommunications Committee for the 2005 interim was called to order by Senator Bernadette M. Sanchez, chair, on Friday, June 17, 2005, at 10:10 a.m. in Room 322 of the State Capitol in Santa Fe.

Present

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair
Rep. Hector H. Balderas
Rep. Daniel R. Foley
Sen. Clinton D. Harden, Jr.
Sen. Carroll H. Leavell
Sen. Richard C. Martinez
Rep. Kathy A. McCoy
Rep. Andy Nunez
Sen. William E. Sharer

Advisory Members

Rep. William "Ed" Boykin
Rep. Ernest H. Chavez
Sen. Dianna J. Duran
Sen. Phil A. Griego
Rep. Ted Hobbs
Rep. Al Park
Sen. Lidio G. Rainaldi
Rep. Debbie A. Rodella
Rep. Nick L. Salazar
Rep. Richard D. Vigil

Staff

Lisa Barsumian
Gordon Meeks
Larry Matlock

Guests

The guest list is in the meeting file.

Absent

Rep. Jose A. Campos
Sen. Mary Jane M. Garcia
Rep. Dianne Miller Hamilton
Rep. Patricia A. Lundstrom
Sen. John Pinto
Sen. Leonard Tsosie

Sen. Ben D. Altamirano
Rep. John A. Heaton
Sen. Stuart Ingle
Sen. Timothy Z. Jennings
Sen. Steven P. Neville
Rep. Harriet I. Ruiz
Sen. John C. Ryan

Copies of all handouts and written testimony are in the meeting file.

Discussion of Proposed Interim Work Plan

Senator Bernadette M. Sanchez, committee chair, explained the proposed interim committee work plan. There was discussion about changing the meeting dates and locations, but no changes were approved. The proposed work plan was adopted on a motion by Senator Martinez that was seconded by Representative Garcia.

Presentation on Desert Rock Energy Project

Mr. Dick Minzer made a presentation on the proposed Desert Rock Energy Project. The project will involve construction of a 1,500 megawatt (two 750 megawatt units) electrical power generating plant on the Navajo Nation approximately 30 miles southwest of Farmington. Sithe Global Power, Mr. Minzer's client, was selected by the Dine Power Authority of the Navajo Nation Council to develop, finance, construct and operate a coal-fired generating plant. There are ample coal reserves on the Navajo Nation to supply the proposed plant. The project, including the power plant and coal mine, represents a \$2 billion investment.

Mr. Minzer's main reason for coming before the committee was to explain that the project will not be economically viable without tax relief from either the Navajo Nation or the state, or both. The overall tax burden on the project must be reduced and could involve a combination of tax relief provided by the Navajo Nation and the state. The possessory interest tax levied by the Navajo Nation is the largest tax expense facing the project and Sithe is hoping to receive some relief from that tax. However, the Navajo Nation has indicated that if it provides tax relief, it expects the state to provide tax relief also. New Mexico taxes to which the project would be subject include the compensating tax, gross receipts tax, corporate income tax and property tax. The amount of tax relief offered by the Navajo Nation will determine the amount of other tax relief needed; therefore, he was not in a position to request specific state tax relief at this time.

In response to questions from committee members, Mr. Minzer explained that the electricity generated by the proposed plant is likely to be sold to utilities in the southwest that might also acquire an ownership interest in the plant. Construction of the plant would take between four and six years using an average of 1,000 workers annually. Navajos would be given first preference for jobs and New Mexicans would be hired where possible. The plant will use 80 percent less water than the existing, older plants in the area and the water would be provided from Navajo Nation resources. Additional transmission lines will have to be built to transmit electricity generated by the second 750 megawatt unit.

Senator Griego stated that he hopes Sithe would be willing to work with New Mexico colleges to train New Mexicans to provide skilled personnel for the plant.

Other Business

Representative Garcia asked that the following items be considered for agendas for future meetings:

- 1) an update on the X-prize competition;
- 2) recycling of computer equipment. She supports creation of a recycling trust fund;
- 3) an update by the Public Regulation Commission on the Qwest A-4 issue; and
- 4) an update from the United States Department of Agriculture on the availability of rural development investment funds.

Representative Hobbs requested an update on Eclipse activities. Senator Griego requested an update on workforce development in rural communities, especially in northern New Mexico. Senator Sanchez expressed interest in learning about land grant communities pursuing trade with Cuba. Representative Foley expressed interest in hearing from the State Investment Council about how much investment is being made in New Mexico versus out of state.

Adjournment

Senator Sanchez adjourned the meeting at 12:00 noon.

**MINUTES
of the
SECOND MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT
AND TELECOMMUNICATIONS COMMITTEE**

**July 12-13, 2005
International Room, International Bank, Raton
New Mexico Highlands University Student Center, Las Vegas**

The second meeting of the Economic and Rural Development and Telecommunications Committee was called to order by Senator Bernadette M. Sanchez, chair, on Tuesday, July 12, 2005, at 10:05 a.m. in the International Room of the International Bank in Raton.

Present

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair
Rep. Hector H. Balderas
Rep. Jose A. Campos
Rep. Dianne Miller Hamilton
Sen. Clinton D. Harden, Jr. (7-12)
Rep. Patricia A. Lundstrom (7-13)
Sen. Richard C. Martinez
Rep. Kathy A. McCoy
Sen. John Pinto (7-13)

Advisory Members

Rep. Ernest H. Chavez (7-13)
Rep. John A. Heaton
Rep. Al Park
Rep. Harriet I. Ruiz
Rep. Richard D. Vigil (7-13)

Absent

Rep. Daniel R. Foley
Sen. Mary Jane M. Garcia
Sen. Carroll H. Leavell
Rep. Andy Nunez
Sen. William E. Sharer
Sen. Leonard Tsosie

Sen. Ben D. Altamirano
Rep. William "Ed" Boykin
Sen. Dianna J. Duran
Sen. Phil A. Griego
Rep. Ted Hobbs
Sen. Stuart Ingle
Sen. Timothy Z. Jennings
Sen. Steven P. Neville
Sen. Lidio G. Rainaldi
Rep. Debbie A. Rodella
Sen. John C. Ryan

(Attendance dates are noted for those members not present for the entire meeting.)

Staff

Lisa Barsumian
Larry Matlock
Gordon Meeks (7-13)

Guests

The guest list is in the meeting file.

Copies of all handouts and written testimony are in the meeting file.

Tuesday, July 12, Raton**Morning Session**

The chair asked the committee members to introduce themselves for the benefit of the audience.

Joe Apache, mayor of Raton, welcomed the committee and conveyed his desire that Raton receive state approval for a "racino" (a horse racing track/facility offering slot machine gaming).

Don Holl, chief executive officer of the Miners' Colfax County Medical Center, gave an overview of the hospital's history and the challenges the hospital currently faces. Established in 1906, the hospital originally had the unique mission of treating the state's miners and the public. The hospital is the only hospital in the county, which covers 3,700 square miles. The facility has served over 18,000 patients annually from within and outside the county, including patients from Colorado. The hospital's annual revenue is approximately \$20 million and one in three Colfax County families are on its payroll. The hospital is the city's and county's largest employer with around 240 employees and is considered fairly sophisticated for its size. The hospital consists of two facilities, the acute care facility and a long-term care facility. The hospital is about to break ground on a new \$14 million, 72,000 square-foot facility.

With regard to personnel, Mr. Holl stated that it is preferable to "grow their own" nurses by training Raton residents because it is difficult to recruit nurses to relocate to Raton. Raton would benefit from a program like the one in Albuquerque where a student can begin LPN training in high school and become certified after one year of post-high-school training. The closest nursing training is in community colleges in Clovis, Las Vegas and Trinidad, Colorado. Raton does not access UNM distance learning for basic nursing education.

The hospital must contract for medical specialty services and Mr. Holl made a case for changing state law to allow for reciprocity with physicians in Colorado to help provide access to more specialists. The hospital is the largest user of helicopter services to transfer emergency room patients due to a lack of specialists. Committee members engaged in a discussion with Mr. Holl about the reciprocity issue and requested a white paper on the reciprocity issue and the

attendant malpractice insurance issue to assist the legislature with developing a solution. The hospital is in the middle of the very costly process of converting to electronic medical records. Representative Campos agreed that growing its own personnel is a good approach for the miners' hospital. The Santa Rosa hospital is now fully staffed using that approach and telemedicine helps provide advanced training. In response to a question from Representative Garcia, Mr. Holl explained that the miners' hospital provides scholarships to staff who pursue advanced training, but does not extract a time commitment from staff since that approach does not work. Mr. Holl explained that the hospital is a state agency subject to rules applying to state agencies. A state trust does finance the miners' care, but salaries are below the state average. Senator Harden requested a second white paper on why the hospital needs a specific exemption from certain rules applying to state agencies. The hospital does receive state funds as a sole community provider.

Joe Kneibe, with Herzog Environmental, explained the operations of the Northeast New Mexico Landfill. The landfill is privately owned and consists of 360 acres, although only 10 are currently in use. The facility handles 150 tons of waste daily from a 120-mile radius, and it employs five to 10 persons who earn at least \$8.00 per hour and receive both health and retirement benefits. Pursuant to a question by Senator Harden, the facility applied to dispose of tires, but the application was denied by the secretary of environment. Representative Heaton noted that the Tire Recycling Fund was re-instituted in 2003, but the fund was cut by 25 percent in 2005. In response to a question about opposition to the facility, Mr. Kneibe noted that groups opposed to the facility are supported by state grants.

Mike Ballew, executive director of the Whittington Center shooting facility, explained the origin and history of the facility. The center's land was purchased from Kaiser Coal in 1973. The facility separated from the National Rifle Association in 1977 and became a self-supporting 501(c)(3) organization. So far this year, 74,000 people have attended events at the facility and the facility has a \$160 million economic impact on the area. In 2006, both the facility and the city of Raton are excited about hosting a major outdoor writers' conference that they hope will become an annual event. Asked by Representative McCoy if the center is open to the public, Mr. Ballew responded that it is, provided the individual belongs to an organization that is affiliated with the center. Senator Harden noted that the president of the Raton International Bank will be the National Rifle Association president in four years.

Ann Holl, director of The Learning Center, discussed the post-secondary education situation in Raton. The Learning Center is a 501(c)(3) organization that was created in 1997. Partnerships are key to the center, since Raton does not have a community college district. Associate's and bachelor's degrees are available through collaborations with Santa Fe Community College, a master's degree in social work is available through New Mexico Highlands University and a master's degree in education is available through Lesley University in Cambridge, Massachusetts. The center is working on offering a master's degree in computer technology. Instruction is provided via the internet, interactive video and in-person. The Northern New Mexico Workforce Development Board has provided grants that are allowing the center to: offer OSHA trainer certification; apply for a Public Education Department planning grant for a magnet career academy in partnership with the high school for OSHA training and,

hopefully, licensed practical nursing certification; and offer GED preparation and testing. The center also hopes to offer construction apprenticeship training in connection with construction of the new hospital facility. The center received funds in SB 190 for capital improvements.

The committee recessed for lunch at 12:30 p.m.

Afternoon Session

The committee reconvened after lunch at 1:45 p.m.

Kandi Barks, executive director of the Raton Chamber of Commerce, explained that Raton had the first racetrack in New Mexico and its closure in 1992 had a noticeable effect on the local economy. Canadian investors are interested in construction of a new racetrack and casino, and city leaders are seeking state approval of the new facility. Governor Richardson has apparently indicated his support, and an application will be filed shortly with the State Racing Commission. Construction of the proposed facility will cost \$30 million. Two hundred employees are anticipated to operate the facility with a payroll of \$5.4 million. Another \$300,000 would be spent on contract services. Overall, the economic impact would be \$38 million annually. Due to other gaming opportunities, three tracks closed during the 1990s. Eventually, slot machines provided needed income to increase the racing purses, which had declined to unprofitable levels. The Raton racetrack would share racing dates with Farmington and Ruidoso, but those racetracks are not close to Raton. Jaynes Construction of Albuquerque has been retained to build the grandstand and casino. Other construction will be performed by local contractors.

Pete Mileta, Jr., Raton city manager, thanked the committee for the \$750 million in capital outlay funds received by the city for a local industrial park.

Tom Garcia, Colfax County administrator, stated that he hopes the legislature will support upcoming capital outlay requests to upgrade fire and ADA compliance in the county courthouse. The county is also having trouble replacing jail locks because the order is not large enough for the manufacturer to justify a production run just for Raton.

Dusty Davis, head of the Colfax County Fair board of directors, explained the history and value of the county fair. The fair also received capital outlay funds for improvements.

Senator Harden pointed out that Raton and Colfax County residents are helping themselves. They need the support of the legislature for the racino.

In response to Representative Heaton, who asked how economic development efforts are pursued, witnesses responded that the city, the Raton Chamber of Commerce and the local Community Corporation are involved. The Raton Chamber of Commerce receives 50 percent of the lodgers' tax revenue.

Recess

Senator Sanchez recessed the meeting at 3:03 p.m.

Wednesday, July 13, Las Vegas

The committee was called to order by Senator Sanchez, on Wednesday, July 13, 2005, at 9:05 a.m. in the Student Senate Chamber in the Student Center of New Mexico Highlands University.

Economic Development

Manny Aragon, president of New Mexico Highlands University (NMHU), reviewed the history of Las Vegas and the university. The university is seeking funds for a new student center. Congress has given approval for NMHU, along with universities in Arizona and Colorado, to create a forestry institute. He also mentioned that, in 2005, the Las Vegas Hospital received \$10 million to \$11 million in capital outlay funds for phase I remodeling. The hospital has not undertaken any new construction in 30 years.

Dr. Luis Ortiz, an associate professor with the NMHU Business School and executive director of the Las Vegas San Miguel Economic Development Corporation, explained that the business school has received federal and state funds to become a regional economic development center. The barriers to recruiting businesses to Las Vegas are housing, water availability, public schools and infrastructure. He noted that New Mexico loses 3.1 college graduates for each one who stays in New Mexico. San Miguel is the fifth-poorest county in the state and the unemployment rate is seven percent. He stated that Las Vegas would like a business incubator and could use an existing, but incomplete, industrial park. The one-eighth percent tax revenue has generated \$280,000. Representative Lundstrom commented that rural areas need state money for industrial parks and questioned whether the state's economic development incentives are working and, if so, where. She argued that it may be time to consider revenue-sharing since rural areas lack basic services. Representative Heaton observed that economic development incentives are often geared to urban areas and do not work for rural areas. He asked whether the New Mexico Partnership had produced viable leads. Dr. Ortiz responded that the partnership submitted 40 to 60 applications that led to three or four visits and that produced one solid lead. Representative Heaton also observed that local financing is not readily available in rural areas. Mr. Aragon mentioned that NMHU has a new faculty member who will be developing a financial engineering program. Representative Lundstrom echoed Representative Heaton's comment by stating that rural communities are unable to put together financing packages.

Water Issues

Richard Trujillo, the utility manager for the city of Las Vegas, explained that Las Vegas does not have an adequate water supply. The city instituted a good water conservation plan that reduced water use by 28 percent in two years. However, this reduction also resulted in less revenue to the city because of reduced water sales. The city has water rights to the Gallinas River, but the water is over-appropriated. The city has access to 14,000 acre-feet per year while

the demand is for 32,000 acre-feet. The city's five-year plan includes upgrading the Taylor Wells and pursuing purchase and lease of additional water rights. The city would like to replace the use of fresh water with treated effluent for watering parks and growing hay, which is the biggest user of water. The city is also looking at options such as requiring developers to bring water rights to the table with their proposed projects, as they do in Los Lunas, and innovative approaches like an aquifer storage recovery project. In response to a question from Representative Lundstrom about whether Las Vegas is a designated critical management area, Mr. Trujillo responded that the city wants that designation. Representative Lundstrom sympathized with Mr. Trujillo about conservation efforts reducing city revenue, which affects the city's ability to issue bonds to improve water infrastructure.

Infrastructure

Wayne Sonchar, representing the Las Vegas San Miguel Rural Development Response Council, discussed the Las Vegas Wood Cluster, a collaboration of wood product businesses. It is seeking a log-sorting central location that would include four local businesses. There is a potential site identified and it needs money to purchase the property and to install needed infrastructure. Representative Lundstrom asked the staff to draft a letter to the Energy, Minerals and Natural Resources Department to inquire if this project is eligible for certain state funds.

Matt Martinez, chair of the Las Vegas San Miguel Chamber of Commerce and a former mayor, said that the city got serious about reducing the crime rate and it is no longer ranked number two in the state. The railroad depot has been remodeled and now houses the Visitor Center and Chamber of Commerce. The chamber is interested in promoting cultural tourism, and Mr. Martinez agreed with Representative McCoy that it should promote recreational tourism. The airport is almost complete. One challenge is that the city has three commercial districts that it would like to tie together using Main Street funds it has received. He stated that communication among various factions in the city is better now than it has ever been, which helps the local legislators to better represent the area. Representative Lundstrom mentioned legislation that was enacted that allows businesses to create mini-visitor centers at highway rest areas. She asked the staff to draft a letter to the Tourism Department to ask that the agency work with Las Vegas to develop this project. Representative Vigil expressed his interest in seeing large highway signs welcoming visitors to Las Vegas to attract them into the city off the interstate. He plans to request capital outlay money to revive the trolley that once ran in Las Vegas. He also likes the concept of a "San Antonio Riverwalk" for Las Vegas. He is also glad that Las Vegas now has a park-and-ride bus since many Las Vegas residents commute to work in Santa Fe.

Joel Scheinberg, who represents the Response Council, explained the benefit of broadband access to rural communities. He opposes the proposal to allow Qwest to refund rural extension funds to consumers since the money will have a much broader impact if spent on its intended purpose. Representatives Lundstrom, Heaton and McCoy all agreed that the committee needs to discuss Qwest's alternative form of regulation and the Universal Service Fund.

Lawrence Quintana, chair of the Main Street program, discussed that program and the local housing situation. He explained that federal Housing and Urban Development Department of programs are written for urban areas and do not take into account rural settings.

Adjournment

Senator Sanchez adjourned the meeting at 12:10 p.m.

**MINUTES
of the
THIRD MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS
COMMITTEE**

**August 11, 2005
Vista Grande Elementary School
Rio Rancho**

**August 12, 2005
Eclipse Aviation
Albuquerque**

The third meeting of the Economic and Rural Development and Telecommunications Committee for the 2005 interim was called to order by Senator Bernadette M. Sanchez, chair, on August 11, 2005 at 10:10 a.m.

PRESENT

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair
Rep. Jose A. Campos
Rep. Daniel R. Foley (8/12)
Sen. Mary Jane M. Garcia
Rep. Dianne Miller Hamilton
Sen. Clinton D. Harden, Jr.
Rep. Patricia A. Lundstrom (8/11)
Sen. Richard C. Martinez
Rep. Kathy A. McCoy
Rep. Andy Nunez
Sen. John Pinto (8/12)
Sen. William E. Sharer (8/11)

Advisory Members

Rep. William "Ed" Boykin
Rep. Ernest H. Chavez
Sen. Dianna J. Duran
Rep. John A. Heaton (8/11)
Rep. Ted Hobbs (8/11)
Rep. Al Park
Rep. Debbie A. Rodella
Rep. Harriet I. Ruiz (8/11)
Sen. John C. Ryan
Rep. Richard D. Vigil (8/11)

ABSENT

Rep. Hector H. Balderas
Sen. Carroll H. Leavell
Sen. Leonard Tsosie

Sen. Ben D. Altamirano
Sen. Phil A. Griego
Sen. Stuart Ingle
Sen. Timothy Z. Jennings
Sen. Steven P. Neville
Sen. Lidio G. Rainaldi

(Attendance dates are noted for those members not present for the entire meeting.)

Staff

Lisa Barsumian

Larry Matlock

Guests

The guest list is in the meeting file.

Copies of all handouts are in the meeting file.

Mr. Jim Owen, mayor of Rio Rancho, welcomed the committee to Rio Rancho. He noted that Rio Rancho has 300 square miles of land available for growth and that eventually Rio Rancho will be the largest city in New Mexico. Rio Rancho has the fastest growth rate in the U.S., which is being fueled by in-state migration into Rio Rancho rather than out-of-state growth as may be presumed.

Mr. Jim Palenick, city administrator of Rio Rancho, made a presentation on the new city center that is being developed. The new branding campaign for the city is "Meeting the Future". When Rio Rancho was incorporated in 1981, the population was 10,000. As of August 2005, the population is 68,000 and growing and the city is expected to exceed the population of Santa Fe by year-end. In 2005, 9,000 residents were added to Rio Rancho. During the first six months of 2005, 1,927 building permits were issued and an average of 300 permits are issued monthly. This growth rate has put tremendous pressure on the school system. The growth is attributable to a number of factors, including available land, affordable new housing, a school district with a good reputation, a business-friendly reputation, good collaboration between stakeholders and a local government not afraid of taking risks. The city needs retail and commercial growth in order to improve its local gross receipts revenues, which are only \$800 per capita. The city is being forced to create a downtown commercial center, which will contain an events center/arena, city hall, Class A office space, high-end and specialty retail stores, urban residential units and a digital motion picture studio. Financing is being achieved using \$8 million from the issuance of county industrial revenue bonds, \$35.5 million in revenue bonds issued by the city of Rio Rancho to be paid off from event facility revenue, \$250,000 in state funds for parking and \$1.5 million in city funds. Senate Bill 440, passed in 2005, enables the city to apply a 10 percent surcharge that facilitates funding these projects. Mr. Palenick explained the details of the arena and city hall projects. He explained that Rio Rancho needs recurring gross receipts revenue while new home construction generates nonrecurring gross receipts revenue. He added that the University of New Mexico has expressed interest in acquiring land adjacent to the new city center and the city is looking for a hospital or hospital expansion. A wireless technology (Wi-Fi) company is hoping to install that technology across Sandoval County. The city has enacted an ordinance that will allow businesses to be repaid for their impact fee investments. New Mexico does not have tax increment financing, which is an option Rio Rancho would like the legislature to consider. The city is in discussions with seven national developers. Representative Park expressed his concern over the high traffic volume at the intersection of highways 550 and 528, which Mr. Palenick acknowledged was a concern that light rail and additional highway routes, possibly through the Pueblo of Santa Ana, might alleviate. Representative Nunez asked about the public school capacity and water supplies. Mr. Palenick responded that all Rio Rancho schools use portable buildings and the high school already has 2,800 students in just three grades. With regard to water, deep wells are very expensive with a cost per well of \$2.2 million. When arsenic treatment is added, the cost increases to over \$4 million per well. Rio Rancho is competing with agriculture for water rights. Representative Garcia commended Rio Rancho on its planning and observed that the city had a lot in common with Las Cruces. In response to a question from Representative Hobbs on property taxes, Mr. Palenick commented that Rio

Rancho property taxes are probably a little lower than those in Albuquerque. Representative Lundstrom asked about the city's bond rating. Mr. Palenick responded that it is good and has improved and that the city got good rates on its two bond issues, which he also attributed to lucky timing. In response to a subsequent question about tax increment financing, Mr. Palenick explained that this form of financing has had a good history in other states. It does not burden the community and only taxes added value. With regard to a question about Rio Rancho's approach of limited business regulation, Mr. Palenick explained that impact fees are consistent throughout Rio Rancho, that permit processes could be expedited and that the city wants to provide predictability in its regulatory environment. Senator Harden inquired about water use and landfills, to which Mr. Palenick responded that the city has instituted xeriscaping, reuse and low-flow fixtures and has used one public landfill and one owned by Waste Management. In response to a question about legislative requests, he said that the city would like capital outlay money for transportation funding, approval of tax increment financing, changes to the cumbersome water rights purchasing process and multijurisdictional building inspector certification so that the process can be more efficient. Senator Sanchez noted that Rio Rancho is encouraging growth compared to Albuquerque's west side and that she opposes the approach being used by the city of Albuquerque on impact fees. Mr. Palenick pointed out that the Rio Rancho impact fee has been \$6,790 per residence since 1994. The fee is likely to increase in January 2006 to \$8,500 and may be phased in. The fee does not include any revenue for drainage or schools. Representative Park inquired whether action by the city of Albuquerque, where the impact fee is \$9,000, affects Rio Rancho. Mr. Palenick responded that he could not necessarily correlate the two, but might be able to in three to four months. Homebuilders are stating that they intend to focus on Rio Rancho. Once the fees are comparable, there should be little difference except that there is too much available land in Albuquerque compared to Rio Rancho.

Mr. Tyler van Houwelingen, CEO and founder of Azulstar Networks, Inc., explained his company's plan to install Wi-Fi in Rio Rancho. The company offers high-speed internet access, voice over internet, secure fixed and mobile connectivity, public access channels, security surveillance and intelligent vehicular services. The company is looking to use Rio Rancho as its launching pad for providing service throughout New Mexico where Wi-Fi offers great potential.

The afternoon session was devoted to the Qwest Alternative Form of Regulation (AFOR) and Rural Extension Fund (REF). Mr. Mike Ripperger, telecommunications bureau chief, and Roy Stephenson, general counsel, Public Regulation Commission (PRC), briefed the committee members on the status of the Qwest AFOR and the REF. Commissioner Jason Marks was also present. These witnesses noted that Valor Communications also has an AFOR. Qwest is approximately \$200 million short of the \$788 million investment commitment the company made in the AFOR agreement. Qwest has filed a lawsuit in federal district court asking for relief from the PRC order requiring the investment. Qwest has also filed suit in the New Mexico Supreme Court appealing the same order. Regarding the REF, it is used to reimburse Qwest \$15,000 for providing "plain old telephone service" to new customers who are beyond 1,000 feet of Qwest distribution facilities. Confusion existed among the committee members over the relationship of the Qwest AFOR and the REF. According to Mr. Stephenson, the legislature directed the PRC to develop an alternative form of regulation for Qwest and meanwhile during the 2005 session, there was discussion about whether other companies should have access to the REF if its purpose is to provide services in rural areas.

Commissioner Marks noted that the PRC staff expects the new AFOR to look different from the original AFOR. In March or April, the PRC heard arguments that changes in conditions should cause the PRC to change the parameters of the existing AFOR. The PRC rejected those arguments after hearing all the evidence and that changing conditions do not justify changing the previously agreed-to investments. Commissioner Marks further explained that the order issued required Qwest to submit a plan of investments to reach the \$788 million target. Qwest told the state that it plans to spend \$570 million. He informed the committee that that morning (August 11) the PRC entered an order stating that Qwest has not provided specifics to date. The Qwest reports will not be in compliance with the investment totals. If Qwest is not in compliance at the end of period 4, which is the fiscal year just ended, the PRC will order Qwest to meet the shortfall. An acceleration of the PRC proceedings is intended to encourage Qwest to live up to the company's commitments. Mr. Marks stated that Qwest must increase its investment and tell the PRC how the company is going to do it. Representative Heaton responded that he is happy that the PRC is looking at that issue and asked if there is money in the bank for the \$200 million and the impact of distributing the money or reducing Qwest revenues on the citizens of New Mexico. Mr. Stephenson responded that the \$200 million is carried on the Qwest books as a liability that it owes. Representative Heaton inquired if Qwest improves its bottom line when it spends the money. Mr. Stephenson responded that it is an engineering decision. The original concept is a \$500,000 credit for hard-to-serve areas. Easy-to-access customers have been served. Even with a \$15,000 subsidy, some potential customers are too costly to serve. Senator Ryan asked whether Qwest will renegotiate its commitment, to which the PRC staff responded that it will be up to the New Mexico Supreme Court to decide if the PRC is within its authority to press the commitment.

Representative Hobbs asked the PRC representatives to define "rural". In response, Mr. Marks stated it is uncertain whether they could and he is proposing a rule on the definition of "rural", where the county would not have a municipality over 50,000. This rule is in response to HB 776. Senator Harden noted that there are some very common definitions for "rural" used by the federal government. It defines "urban", "rural" and "frontier" using the number of people per square mile. Thirteen of the 33 New Mexico counties are "frontier" counties. Mr. Stephenson noted that Qwest's definition of "rural" is any customer beyond 1,000 feet from the company's point of presence.

The next presenters were Qwest representatives Leo Baca and Charlie Marquez. Mr. Baca, in addressing the AFOR, explained that Qwest incurs huge regulatory costs in New Mexico and that consideration of the public interest should also include Qwest. He acknowledged that Qwest is falling \$212 million short of its commitment under the AFOR agreement. There has been a change in circumstances due to the company's loss of landlines to mobile phones. Qwest would rather not refund the money owed and make strategic investments. Mr. Baca noted that since March 2001, the company has invested \$500 million in New Mexico. In addressing the REF, Mr. Marquez explained that the REF was created in 1987. The terms of the REF have been modified in that it once included providing commercial hookups, so that the entire fund was used one year to wire businesses. Since then, Qwest has been spending \$400,000 to \$460,000 annually as set forth by the PRC. The company has not been able to spend more. It received another PRC order last year to increase spending to \$550,000. The company decided to spend half of the balance of the REF in order to expand service to "rural" customers. However, the REF rules and guidelines do not allow for that expenditure. Mr. Marquez stated that Qwest is going to spend the money and has a plan. Only Qwest is required to pay into the REF. Without the REF, New Mexico faces a digital divide. He added, "Everyone

should have access and everyone should pay into it. The fund has outlived its purpose". Qwest intends to "live up" to its liability, but the REF needs to be looked at. Representative Hamilton asked if Qwest is not required to honor its commitment, whether the smaller communities of New Mexico will have DSL. Mr. Baca replied that company engineers are working on a daily basis to deploy DSL, but first they must assess the level of demand. Representative Nunez inquired about expanding service on the Navajo Nation and whether obtaining right of way is a problem. Mr. Marquez noted that the "vast majority" of unserved residents are located on the Navajo Nation and that right of way is a problem. Money was set aside, then used somewhere else. Sacred Wind is proposing buying those customers. Since there is a \$15,000 subsidy per line, the REF would go to every line it took for the held orders. Multiply \$15,000 by the held orders and that is the amount that Qwest is going to put up. Representative Lundstrom inquired about the REF guidelines not allowing for certain expenditures. Mr. Marquez responded that Qwest provides the first 1,000 feet, then there is a cost for the extension. Originally, it was \$5,000 per extension. Now it is \$15,000 per customer. No other phone company is required to pay that much for extending its lines. Mr. Stephenson noted that Qwest has never asked for this to be modified. Representative Lundstrom also asked how many times the REF has been modified. The PRC staff noted that there have been two significant modifications: first, when the subsidy was changed to benefit only residential customers and then when the \$5,000 amount was increased to \$15,000. Representative Lundstrom asked if Qwest has given up on the Navajo Nation. Mr. Baca answered that Qwest serves about 14 chapter houses along I-40 and Highway 550 and that Citizen serves the greater portion. Sacred Wind wants to take over the Qwest portion and has been talking with the Navajo Nation regarding right of way and deploying wireless technology.

Representative Heaton asked about the basis for the appeal based on the Fourteenth Amendment to the United States Constitution. Mr. Stephenson responded that Qwest's argument is that the PRC does not have the authority to make Qwest spend money. Senator Harden pointed out that Qwest says it spends \$15,000, although the expenditure is actually more like a credit. A customer receives service expansion up to a cost of \$15,000, but then has to pay any additional cost, even though Qwest has the money to pay the complete cost. Senator Harden asked if the REF was statutory and was told that it was not. The creation of the REF was prompted by a federal tax cut in 1988 and during the time when Qwest was still under rate-of-return regulation.

The committee recessed at 3:53 p.m.

**MINUTES
of the
FOURTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS
COMMITTEE**

**September 6, 2005
Room 322, State Capitol
Santa Fe**

The fourth meeting of the Economic and Rural Development and Telecommunications Committee for the 2005 interim was called to order by Senator Bernadette M. Sanchez, chair, on September 6, 2005 at 10:20 a.m. in Room 322, State Capitol.

PRESENT

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair
Rep. Jose A. Campos
Rep. Daniel R. Foley
Sen. Mary Jane M. Garcia
Rep. Dianne Miller Hamilton
Sen. Clinton D. Harden, Jr.
Sen. Carroll H. Leavell
Sen. Richard C. Martinez
Rep. Kathy A. McCoy
Rep. Andy Nunez

Advisory Members

Sen. Ben D. Altamirano
Rep. William "Ed" Boykin
Rep. Ernest A. Chavez
Sen. Dianna J. Duran
Sen. Phil A. Griego
Rep. Ted Hobbs
Sen. Lidio G. Rainaldi
Rep. Harriet I. Ruiz
Sen. John C. Ryan
Rep. Richard D. Vigil

Staff

Lisa Barsumian
Larry Matlock

Guests

The guest list is in the meeting file.

ABSENT

Rep. Hector H. Balderas
Rep. Patricia A. Lundstrom
Sen. John Pinto
Sen. William E. Sharer
Sen. Leonard Tsosie

Rep. John A. Heaton
Sen. Stuart Ingle
Sen. Timothy Z. Jennings
Rep. Al Park
Rep. Debbie A. Rodella

Tuesday, September 6

The first presenter, Rick Homans, secretary of economic development, appeared at the committee's request. Mr. Homans provided an update of the department's activities. The 2005 Small Business Relief Act, sponsored by Senator Altamirano, was not accompanied by money for implementation. Its mission is to review any new policy, regulation or procedure for the effect of the change on small business. Staff will be necessary to implement the act. Every agency must review all of its rules in the next five-year period. An advisory committee has been appointed. A new business incubator certification program was created in 2005. A bill was introduced during the 2005 session containing a matching grant program for capital outlay and operating funds that would phase out over a three- or four-year period. However, the money was removed from the bill. The bill progressed and the Economic Development Department (EDD) supported the certification program. Now, before a business incubator can receive funds, the incubator has to be certified by the EDD. Representative McCoy questioned whether the EDD's business recruitment program requires a community to accept a business. As an example, she used a protest against Wal-Mart locating in her community. Mr. Homans indicated that EDD follows the community's lead.

Representative Nunez inquired about how close EDD is to licensing the Spaceport. Mr. Homans responded that licensing will be completed by summer 2006. The license from the Federal Aviation Administration will be granted by the end of 2006. Representative Nunez asked how the state can attempt one of the first launches and build infrastructure without the necessary licenses. Mr. Homans responded that small launches simply require a concrete launch pad and a portable building. Once the state starts some activity, more will follow. Representative Garcia inquired about whether the Spaceport has the necessary water rights. Mr. Homans responded that NMSU has been hired to provide answers and the project has been trying to form agreements with local communities. Water needs will depend on the kind of technology and fuel required for launches. The facility is not water-intensive. The feasibility of drilling is being explored. The water use requirement is addressed in the facility plan. EDD is confident about the quantity that will be needed and its availability. Representative Nunez stated that the villages of Hatch and Rincon have signed an agreement to provide water.

Senator Leavell noted that he receives complaints about the Construction Industries Division of the Regulation and Licensing Department and the Department of Environment. If businesses cannot get permits in a timely manner, businesses will not locate in New Mexico. He also has received complaints about the Taxation and Revenue Department (TRD). During the meeting, he received a call and it was another problem — his constituents cannot get calls through to the TRD because all the phone lines are forwarded. He expressed his frustration with some parts of state government. Mr. Homans responded that his relationship with each of those agencies is good and that he has found them to be responsive. He offered his cell phone number to the committee (670-8637) and his willingness to act as its ombudsman.

Senator Griego asked whether workforce development is still attached to EDD or works with EDD. Mr. Homans responded that the legislature created the Office of Workforce Training and Development (OWTD) that reports to the governor. The office holds monthly meetings that are open to the public. Mr. Homans, Secretary of Public Education Veronica Garcia and OWTD Director Reese Fullerton have held hearings to get feedback from all over the state. The office is not attached to EDD, but EDD works with the office. Representative Hobbs observed that there are 50 people on that workforce development board along with two or three legislators and speculated that the board will not be able to accomplish very much. Senator Griego explained

that the office agreed to keep him informed if he voted for the program, but the only thing he has seen done in his area is "defentes de lana". Representative Salazar was heavily involved in trying to get everyone together for a successful opening, but he did not think workforce development was ever involved. He doubted that the office has done anything to satisfy its commitment. He congratulated EDD on the Main Street Program. The program has been successful in Hobbs. He explained meeting with Commissioner Ramirez and told him that, if communities like Mora want to involve themselves, the governor has committed \$1 million for streetlights. Now, Main Street Program communities can apply for grant funds and attract small businesses to their main streets. He asked if there have been any conversations with state parks to make that agency part of the state's economic development effort. Mr. Homans responded that the entities brought to the table were those with resources and that state parks are a magnet and a catalyst. Senator Griego commented that the governor requests flat budgets from state agencies and that gasoline is more expensive. He suggested giving each state park \$2 million to boost rural economic development by helping the towns and villages around those state parks.

Mr. Homans noted that models for retention and expansion of existing businesses are in place and that passage of a local economic development act is key. A local act requires a local economic development plan to be in place. Passing this type of act enables a community to dedicate five percent of its general fund revenue to private enterprise, for example, infrastructure for an industrial park. Representative Hobbs asked how many certified communities exist, to which Mr. Homans responded 23. Representative Hobbs also asked about business recruitment data. Mr. Homans responded that, as of June 30, four new companies and 1,594 new jobs have been created; 1,044 are in rural areas of New Mexico. The target was 750 new jobs. Leads come in for potential recruitment opportunities, which must meet specific criteria to ensure that these requests are serious. Mr. Homans agreed to provide a report containing data to members of this committee. Representative Hobbs also asked about the balance in the fund for job training. Mr. Homans replied that the cash balance is \$21 million. Unencumbered funds total about \$9 million.

Senator Rainaldi asked about the reference to certified communities and the requirement that communities have an economic development person. Mr. Homans responded that the passage of the Local Economic Development Act requires an ordinance. Senator Rainaldi also asked about PNM mining. The company anticipates closing and will not keep everyone employed until the last day. He asked whether anyone is addressing this situation. Mr. Homans answered that request for assistance would go through the OWTB. He offered to check and inform the senator of the response.

Senator Garcia commented that the committee should consider supporting legislation to insert a computer chip at point of entries to help monitor cargo crossing the border. The chip would expedite the entry of trucks and help the trucking industry. She suggested meeting with Mr. Homans to plan the bill, which would be a model for other border communities throughout the U.S., in partnership with Mexico.

Senator Martinez requested a list of the certified communities and copies of the criteria and other relevant material.

Senator Sanchez noted that when land grants became political subdivisions, the legislature appropriated money for the grants to develop economic development plans. EDD staff responded that last year, 70 percent of the land grant communities attended a workshop on

developing these plans. The workshop was very basic. The communities made decisions on what they had to do since they had never done it before. Another conference will occur this year and colonias will be included. Six land grant communities have been identified that are interested in using their land for economic development purposes. Senator Sanchez also asked about film industry training. The state's film commissioner answered that the film technician training program was being offered at Albuquerque TVI, ENMU-Roswell and Las Cruces for the fall. EDD is looking at expanding the program to tribal colleges and colleges in the Farmington area to bring the total number of programs to six.

WESST CORP

Following lunch recess, the committee heard a presentation from WESST Corp, which is seeking capital outlay money for construction of a building to house a business incubator. A statewide nonprofit organization based in Albuquerque since 1988, WESST Corp has served 17,000 New Mexicans and 1,850 start-up businesses with the creation of 2,800 jobs. Unlike other business incubators, WESST Corp has extensive programs in place that serve small and microenterprises. The development director explained the plans for the site. A 36,500-square-foot "green" building will be constructed that is designed to use minimal nonrenewable resources. Federal funds are paying for the architectural and engineering plans and the RFP is being sent out in the next few weeks. WESST Corp will be located in the facility. Representative Foley questioned what benefit Chaves County will receive from a building in Albuquerque. The incubator will make business intelligence, such as mapping technology, available to allow small business owners to compete head-to-head in the global market. Representative Ruiz asked why only 51 percent of the proposed jobs are allocated for low-income individuals. WESST Corp Executive Director Agnes Noonan explained that 51 percent is a minimum and that it is likely that since WESST Corp will be encouraging local employment, the percentage will be higher. Representative Ruiz noted that when the Tamaya Hyatt hotel opened, the hotel did not hire locals. Ms. Noonan responded that Hyatt had to pay back public funds because it did not meet its hiring goals. That repaid money is how WESST Corp received the money it will be using. The WESST Corp project received unanimous approval from the Albuquerque City Council and the organization is well aware of the need to create economic opportunities for low-income individuals.

Regarding the benefit of the Albuquerque incubator to the rest of New Mexico, Ms. Noonan pointed out that WESST Corp is in negotiations with a national company that provides mapping technology. This technology is usually only available to larger companies; a contract with WESST Corp will make that technology available to the smallest of businesses. In response to a question from Representative Hobbs, the private sector will be contributing \$800,000 toward the project. Thirty percent of the \$7 million cost must come from the private sector. PNM has been very supportive. Senator Garcia asked whether WESST Corp is the same organization that started in the early 1990s to assist disadvantaged women. Ms. Noonan confirmed that WESST Corp was created in 1988 to provide business assistance primarily, but not exclusively, to women, minorities and people on public assistance who want to start their own businesses. The organization has helped 101 people on public assistance start their own businesses. Seventy-five percent of its members are women. She clarified that the capital outlay money being sought is for construction. WESST Corp has a \$2 million budget. Two additional positions would be an incubator manager and a receptionist. Clients are charged a small fee of \$10.00 or \$15.00 for training services while consulting services are charged on a sliding scale.

NEW MEXICO RURAL DEVELOPMENT RESPONSE COUNCIL

William "Bill" McCamley, executive director, and Vanessa M. Quiroz, office manager, appeared on behalf of the New Mexico Rural Development Response Council. The council was created in 1991. The council includes representatives from the federal government, state government, local governments, Native American tribes, the USDA and the Clovis Area Chamber of Commerce. Since 2002, the council has created jobs in 16 New Mexico communities. Once a community develops an idea for a project, the council helps with implementation with technical assistance, technical plans, web sites and any other needed assistance. In Anthony, Fort Sumner, Clayton and Gallup, the council has organized economic development groups that are doing very well. The council is also working with Lordsburg on a new detention center. Raton possesses a great National Rifle Association shooting exhibition center. Trinity College has developed a gunsmithing program to tie in with the center. Fort Sumner has a large airstrip and would like an airport industrial park. The council will be requesting \$500,000, as it did three years ago. Matching funds may be obtained. Senator Garcia noted that Mr. McCamley is the chairman of the Dona Ana County Commission. Representative Campos commented that the council is the kind of effort he spoke of earlier. Senator Griego asked how the council disseminates information about its programs to small unincorporated towns and villages. Mr. McCamley responded that communities apply for assistance. He serves on the Job Training Partnership Board and while 80 to 90 percent of the money goes to Albuquerque, he works to distribute the remaining 10 percent to rural areas. He added that it is hard to organize unincorporated areas because there is no structure. A lot of communities can take advantage of the council's programs, but they need their hands held during that process. If the communities can demonstrate some organization and know what they want, the council can help them. Senator Griego noted that the council is requesting \$500,000 and inquired whether local legislators are invited when the council goes into these little communities so that local legislators can help follow up with the county commission, economic development group or chamber of commerce to get an application filed. Mr. McCamley responded that the council has not made progress in Mora since January 1.

The council attempts to involve legislators, but sometimes they are not responsive. Representative Nunez noted that he was one of the regional board members and would like to serve again. He added that the board used to meet all over the state. Mr. McCamley responded that the council tried meeting all over the state, but had problems obtaining a quorum. The council now meets in Albuquerque, which is better. Representative Foley asked how the council members are selected. Mr. McCamley responded that the goal is to find representatives from a variety of communities. He also welcomed any suggested names since seven council positions would become available in the near future.

NEW MEXICO RECYCLING COALITION

Regina Wheeler, director of Los Alamos County Solid Waste and co-chair of the New Mexico Recycling Coalition, gave a presentation on behalf of the coalition. The coalition supports adoption of the New Mexico Recycling and Illegal Dumping Act, which was considered but failed to pass during the 2005 legislative session. The coalition also supports increasing the focus on economic development through recycling and a 10 percent tax credit for the purchase of recycling equipment. Senator Leavell inquired about the use of used tires in the production of asphalt. He noted that the tires add 20 percent to the cost of the asphalt, but if using the tires produces a better quality product, the state should look into it. Ms. Wheeler added that \$.50 goes to the Tire Recycling Fund and it would be beneficial if a private company partners with a public entity since tires are not a priority commodity. Representative Ruiz added

that Secretary of Transportation Faught was asked about the use of rubberized asphalt and stated that, in the New Mexico climate, the product does not hold up as well. Senator Altamirano added that he remembered eight years ago when Senator Roman Maes had legislation to allow the Department of Transportation to recycle tires, but the program only lasted one year since the product did not adapt well to New Mexico roads. He thinks the concept might be worth revisiting.

Ms. Wheeler pointed out most states recycle 25 to 45 percent of their waste. New Mexico recycles nine percent. Representative Hobbs questioned the request for a tax credit and the potential financial advantage to the residents and taxpayers of New Mexico. Ms. Wheeler responded that Los Alamos County spends \$30.00 per ton to bury solid waste. The county tried to find a landfill site in northern New Mexico for 10 years. Now, waste is being hauled to Rio Rancho. If that site closes, Los Alamos County will have to haul its waste to Los Lunas. With the price of gas and the hauling distance, the cost is actually \$60.00 per ton. By crushing concrete, Los Alamos County makes \$10.00 per ton. There are huge economic advantages, especially small, local ones. Due to the Chinese market, white paper and metal prices are going through the roof. Scrap prices for metal have tripled. Representative Hobbs questioned whether Ms. Wheeler could demonstrate any financial advantage. Ms. Wheeler responded that she could since Los Alamos County pays \$30.00 per ton for solid waste disposal and the residents do not have to pay for disposal of solid waste that is recycled. Recycling reduces the price of managing a community's waste. Representative Hobbs stated that although people complain about separating their recycling, can they get a financial advantage? Ms. Wheeler responded that the solid waste management plans of the Department of Environment focus on this. The municipalities manage that cost. Representative Campos stated that Santa Rosa is going through the process of recycling. Representative Hamilton asked about recycling in small communities. She noted that the Grant County area has recycling, but that it does not include glass, cardboard or plastic; it has many of those products but no market for them. It is a tremendous problem to find companies that will take the recyclables and do something with them. Ms. Wheeler pointed out that solving this problem is exactly what the proposed bill is intended to do.

Senator Griego commended Los Alamos County for establishing a good recycling program and that he had carried the bill in the senate. He criticized the restrictions in the rules and regulations established by the Department of Environment. Small communities and businesses have limitations, so it is important to find out what is feasible and equitable for them. If Department of Environment establishes a program, the program can be too restrictive. Ms. Wheeler acknowledged that the department is listening and has a brand new draft set of regulations on the table that may be adopted in December and take effect in early 2006. These draft regulations remove permitting requirements from recycling businesses and composting, making these activities easier.

Representative Garcia asked about computer waste. Ms. Wheeler responded that the coalition is working on that area. There are toxic chemicals involved, as well as valuable metals. Some communities have come together and the coalition will have legislation to address that, since proposing a blueprint for small and large communities can help them address this problem. Representative Garcia noted that Senator Feldman had sponsored legislation on this issue one year and that she had sponsored the bill last year. Ms. Wheeler suggested that state legislation might encourage a New Mexico business to start processing electronic waste. The only company currently doing so is located in Oklahoma. Senator Harden asked if the coalition web site includes a list of recycling businesses, to which Ms. Wheeler responded that the web site

includes all New Mexico businesses involved in recycling. Senator Harden asked about cardboard recycling. Ms. Wheeler stated that there is a great market for it in Durango. Los Alamos County receives \$80.00 per ton, even if it picks it up. Senator Harden observed that restaurants are the biggest single user of cardboard and suggested that the coalition might forge a strategic alliance with the New Mexico Restaurant Association. Ms. Wheeler noted that grocery stores like Smiths bale cardboard and the proposed tax credit would support a company that wants to buy a baler. Cardboard boxes are discarded into dumpsters, which cities have to dispose of and charge an extra \$40.00. Senator Harden also asked about numbers from the other states. Ms. Wheeler reiterated that most states recycle 25 to 40 percent and New Mexico recycles nine percent. Some states, such as Ohio, tax landfills an extra surcharge to fund recycling programs, but this approach is not popular; her constituents did not like it. Other states mandate recycling. Utah does better than New Mexico and has a state-level board that looks at the plan every three years, so it is more actively involved in management of the problem. Other places have markets for recycling materials. New Mexico's nearest market is El Paso. Recycled glass has to go to Denver. Los Alamos County has curbside recycling. The material goes to a facility where it is sorted, baled and sold. In rural communities, dropoff recycling is common. Materials are segregated at home. Santa Fe County has bins and the materials are sold to people who want to buy them.

CUMBRES AND TOLTEC SCENIC RAILROAD COMMISSION

Commissioner Carl Turner, a former member of the legislature (1959-1960), represented the Cumbres and Toltec Scenic Railroad Commission. Senator Griego asked if Colorado is still involved in the railroad. Mr. Turner acknowledged that Colorado does not contribute to any large degree. New Mexico has contributed over \$1 million, while Colorado may have contributed \$100,000. He predicted that the Colorado portion will be for sale or lease to New Mexico. Senator Griego asked if the restaurant on the Colorado side pays any money to New Mexico. Mr. Turner responded that the restaurant had gone bankrupt. The railroad built a restaurant halfway up and, when a ticket is purchased, the cost includes lunch and a bus ride back. The restaurant is managed on a contract of \$10,000 per month. The commission maintains the tracks and operation in Colorado. The cost is paid by the train tickets. Revenue is up and there are now three engines. In 2006, there will be four engines. The commission is able to pay for the cost of running the train with tickets. The commission cannot now afford rebuilding of the engines and track, but eventually will be able to do so. The railroad is the only one in the world that builds a narrow gauge passenger car from scrap. The train furnishes employment for 100 people during the season. Mr. Turner added that the train is the only thing that keeps Chama alive.

Senator Altamirano observed that with so many programs, some consolidation may be needed. He suggested talking to the governor about a study on ways in which these programs can be consolidated.

The committee adjourned at 3:45 p.m.

**MINUTES
of the
FIFTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS
COMMITTEE**

**October 26, 2005
New Mexico Institute of Mining and Technology Campus
Socorro**

**October 27, 2005
State Capitol**

The fourth meeting of the Economic and Rural Development and Telecommunications Committee for the 2005 interim was called to order by Senator Bernadette M. Sanchez on October 6, 2005 at 10:10 a.m. in the Galena Room of the Macey Center at New Mexico.

PRESENT

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair
Rep. Hector H. Balderas (10/28)
Rep. Jose A. Campos (10/28)
Rep. Daniel R. Foley (10/27)
Sen. Mary Jane M. Garcia
Sen. Richard C. Martinez
Rep. Kathy A. McCoy (10/28)
Rep. Andy Nunez
Sen. John Pinto

Advisory Members

Rep. Ernest H. Chavez
Rep. John A. Heaton
Rep. Ted Hobbs
Rep. Al Park (10/28)

Sen. Lidio G. Rainaldi

Rep. Debbie A. Rodella (10/28)
Rep. Harriet I. Ruiz (10/27)
Sen. John C. Ryan
Rep. Richard D. Vigil

Staff

Lisa Barsumian
Larry Matlock

Guests

The guest list is in the meeting file.

ABSENT

Rep. Dianne Miller Hamilton
Sen. Clinton D. Harden, Jr.
Sen. Carroll H. Leavell
Rep. Patricia A. Lundstrom
Sen. William E. Sharer
Sen. Leonard Tsosie

Sen. Ben D. Altamirano
Rep. William "Ed" Boykin
Sen. Dianna J. Duran
Sen. Phil A. Griego

Sen. Stuart Ingle

Sen. Timothy Z. Jennings
Sen. Steven P. Neville

Wednesday, October 26, Socorro

The committee members introduced themselves to the audience, and Senator Sanchez thanked Representative Don L. Tripp for attending the meeting to welcome the committee to Socorro.

Valor

The first presentation was given by Bill Garcia, vice president for regulatory and government relations and chief counsel for VALOR. Mr. Garcia was accompanied by Chris Valdez, chief operating officer of the company. He also introduced Edward Lujan, who serves on the company board of directors. Mr. Garcia provided a history of the company, which is celebrating its fifth anniversary. The company was formed by Ann Bingaman and several Hispanic investors to serve rural communities by purchasing the properties of GTE, consisting of 95,000 access lines and 77,000 customers. The company's New Mexico service areas include southeastern New Mexico, south central New Mexico, including Ruidoso and Truth or Consequences, and the Espanola valley. The company operates two call centers in Carlsbad and Espanola and five retail stores. VALOR has brought in modern technology and services; DSL is currently available to 68 percent of VALOR's customers. The company has invested \$6 million to upgrade the switch that serves Carlsbad and Hobbs.

VALOR is governed by the first Alternative Form of Regulation (AFOR) approved by the Public Regulation Commission (PRC). The 2000 Legislature allowed for the alternative form of regulation in lieu of rate of return regulation. As part of the AFOR, VALOR agreed to an \$83 million investment in New Mexico to be completed by March 2006. The company is on track for honoring this commitment and also has met its quality of service commitment. The company went public in February 2005. Mr. Garcia noted that the company is proud of its civic involvement through college scholarships and home rehabilitation projects in Artesia and Ruidoso and has been nominated for several awards for its contributions.

Mr. Garcia also pointed out that cable television is a growing competitor, by offering cable, telephony and broadband services, as is wireless communication. Landline providers such as VALOR are regulated by the state, but their competitors are not. Eighty-five percent of rural households in the United States have competitive choice about phone service.

In 2004, VALOR pursued legislation to allow the PRC to adopt rules to govern mid-sized telephone service providers, like VALOR. The final rules are scheduled for adoption January 1, 2006. The rules will govern pricing, quality of service and consumer protection. VALOR has submitted draft rules, at the request of the PRC, and hearings will follow shortly. Through the rules, VALOR is seeking to price service based on a Federal Communications Commission index. Mr. Garcia noted that customer rates for basic service have not increased since 1993. The company is seeking pricing flexibility for non-basic services using a range of pricing. The company's draft rules also seek more efficient reporting for quality of service and consumer protection compliance.

Representative Andy Nunez asked if the company would be seeking legislation in 2006 and if the company disconnects service for nonpayment. Mr. Garcia responded that the company was not pursuing legislation in 2006 and that there are various programs that help customers who are having problems paying their phone bills. Representative Ted Hobbs inquired whether VALOR was profitable yet, to which Mr. Garcia responded that, according to the Securities and

Exchange Commission, the company was paying its bills. In response to a further question on the company's relationship with the PRC, Mr. Garcia explained that he had served as chief of staff for the former New Mexico Public Utility Commission (PUC), knew the current agency staff and places a high priority on credibility which is important for maintaining a good rapport with the staff. He observed that the PRC is in transition, but needs to evolve more quickly to keep up with changes in the telecommunications industry.

Representative Hobbs asked if the PRC is giving added value to the industry or is just interested in consumer protection. Mr. Garcia replied that VALOR would like the PRC to serve a role of partner and facilitator, not just regulator. New Mexico is risk averse and the PRC could be more active in facilitating innovation. He also agreed with Representative Hobbs that the former PUC, which was composed of appointed members, was more directed and efficient.

Senator Mary Jane M. Garcia questioned whether the PRC could do anything to affect the competition in the marketplace. Senator Lidio G. Rainaldi asked for definitions of certain terms such as "new service", "central office" and "remote". Representative John A. Heaton commended VALOR as a "godsend" for his area, since previous service had been terrible. Representative Heaton also said that he supported greater regulatory flexibility.

Roy Stephenson, PRC general counsel, stated that although the PRC supports flexibility, competitors such as internet service providers, which rely on the landline companies, count on regulation to provide fair access. Representative Heaton responded that it is a better situation for the Legislature to set policy than the Governor and that, with an elected PRC, his area now has a representative on the PRC, which it never had under an appointed commission.

Senator John C. Ryan inquired if rate of return regulation would have protected VALOR profit better than the AFOR and if Comcast is pursuing the triple play of cable/telephony/broadband in New Mexico. Mr. Garcia responded that Comcast could pursue that, but is not currently doing so.

Sandia Laboratories Small Business Assistance Initiative

The presentation on the Sandia National Laboratories Small Business Assistance Initiative was led by Marianne Jackson, who introduced three small businesses that participate in the program. Steve Gomez with Controlled Agriculture Environment, which designs and constructs greenhouses, explained how his company has benefited from the program, as did Reggie Alsbrook with Diana's Homegrown. Alsbrook stated that his association with Sandia National Laboratories helps his credibility as he pursues financing for his innovation. Gerald Olona, whose company invented a fishing reel that can be used by persons with physical disabilities, echoed the comments of the others.

Small Agricultural Producer Matching Grant Program

Ricardo Gonzales with the New Mexico Department of Agriculture, along with a colleague, briefed the committee on its 2006 request for funding for a small agricultural producer matching grant program. The requested \$250,000 would be used to set up a revolving fund to provide state grants to farmers who need matching funds to qualify for federal grants. Asked by Representative Nunez if the program would be a violation of the constitutional anti-donation provision, they responded that they had been advised that the provision would not be a barrier.

New Mexico State University Business School

During the afternoon session, former governor and dean of the business school at New Mexico State University (NMSU), Gary Carruthers, briefed the committee on the school's 2006 request for funding for the Arrowhead Center. The center is patterned after the Rice University Alliance. The center is organized as a 501(c)(3) business with five business units: intellectual property, a research park, entrepreneurship, policy analysis and workforce development. One project in which the center has been involved is a business performing DNA analysis for determining parentage. This business is one of only five nationally and is pursuing licensure to conduct forensic DNA work. The business school is developing a Ph.D. in economic development using distance learning that is intended to be an applied, rather than academic, doctorate. The center received \$75,000 in 2005 and is seeking \$375,000 in 2006, which the school hopes will be recurring.

Mr. Carruthers also briefed the committee on the new Research Technology Collaborative. The board of directors had recently been appointed by Governor Bill Richardson, and it has held its first meeting.

National Center for Genome Research

Roman Maes and Dr. Stephen Kingsmore made a presentation on a capital outlay request being made by the National Center for Genome Research in collaboration with NMIMT. The center is seeking \$1 million to purchase a genome sequencer, which would be owned by NMIMT. The center has already received \$3 million in federal funds for operations related to the sequencer.

NMSU Aerospace Engineering Program

Dr. Thomas Burton, chair of the mechanical engineering department at NMSU, made a presentation on the university's 2006 request for a \$7 million appropriation to create an aerospace engineering program at the university. The money would be spent over seven years and is a top legislative priority for the university. The university received \$275,000 in fiscal year 2005 and \$152,000 in fiscal year 2006 that has been used in planning the program. Input has been solicited from the private and national laboratories. The focus of the program will be aerospace systems engineering and non-classroom opportunities for applied learning. The program would have graduated its first undergraduates in May 2008 and will also offer a master's degree and Ph.D. The graduate program is important to help recruit good faculty and the aerospace industry to New Mexico. Senator Garcia indicated her support for the program.

Rural Schools and Economic Development

Dr. Jim Holloway, assistant secretary for rural education at the Public Education Department (PED), provided a presentation on rural schools and their relationship to economic development. PED uses the definition of rural school contained in the federal No Child Left Behind Act of 2001, which includes approximately 45 New Mexico school districts. His goal is to enhance the vitality of rural communities through their schools. PED has been working with seven school districts, using a model of community collaboration representing a \$210,000 investment. The school districts involved are Cimarron, Jemez Valley, Jemez Mountain, Loving, Tatum, Clayton and Maxwell.

PED also works in collaboration with Future Farmers of America, Future Homemakers of America and the agricultural extension service. Representative Ruiz asked about the relevance of visiting rural Australian schools, which Dr. Holloway had mentioned. He responded that Australia was using successful approaches to integrating its rural schools and

communities. He cited schools using oyster farming and vineyards and winemaking to bring students and community members together in a teaching setting where school projects are tied into the curriculum. Representative Heaton expressed his concern that this type of place-based education might have the effect of limiting the aspirations of students who have bigger dreams.

The committee recessed at 4:15 p.m.

Thursday, October 27, Santa Fe

The committee reconvened at 10:25 a.m. in Room 322 of the State Capitol.

Gaming

The Gaming Control Board, represented by board member Don E. Dutton of Santa Fe and assistant executive director Greg Saunders, provided a briefing on the status of the gaming industry in New Mexico. The five racetrack casinos in New Mexico paid out purses totaling close to \$35 million during fiscal year 2005. The state's horse racing industry is improving each year and includes 32,400 horse owners, 37,300 employees, 45,000 total jobs, a \$503 million direct economic impact and a \$759 million total economic impact. Racetrack casinos paid gaming taxes totaling \$43.5 million in fiscal year 2005. Fraternal and nonprofit gaming operators paid over \$1.2 million in gaming taxes and almost \$5.7 million since 1999. Thirteen tribal casinos operate in New Mexico pursuant to tribal-state compacts. For the first two quarters of fiscal year 2005, tribal casinos paid over \$40 million to the state. Only slot machine revenue is counted for the amount of revenue-sharing paid by tribal casinos. Sunray Park in Farmington and Sunland Park in Las Cruces are the most successful racinos. The new Zia racino in Hobbs is doing better than predicted, attracting Texans to that location. Sunland Park slot machines generate over \$300 in gaming tax per machine per quarter.

New tribal casinos are anticipated by the Navajo Nation, Nambe Pueblo and possibly a third tribe. Senator John Pinto inquired about whether Gallup or Shiprock might be the possible location of the proposed Navajo Nation casino. He questioned whether the Navajos could get rights of way to build a casino near Laguna Pueblo. He expressed his concern about the Navajo Nation going into gaming, but acknowledged that the Navajos need the money. He said that now Navajos gamble at the Sky City Casino in Acoma Pueblo. He noted that the Navajos approved gaming even though Navajo women oppose gambling.

Representative Nunez inquired about the monitoring of tribal gaming. Mo Chavez, tribal gaming liaison with the Gaming Control Board, responded that the board is connected electronically to the tribal slot machines, which allows the board to collect data from each slot machine. Furthermore, the tribes report quarterly to the board, the board can dial in for data and an audit of slot machine revenue is done annually. Representative Mary Helen Garcia asked if the board only monitored slot machines, to which Mr. Chavez replied that only slot machines, not table games, were monitored by the board.

Representative Nunez asked if the Navajo Nation casinos would be on tribal land. Mr. Chavez responded that the Navajos originally were looking at 11 casinos between Albuquerque and Gallup. Now, the tribe is considering three: one near Farmington, another near Gallup and a third near Tohatchi.

Commissioner Dutton mentioned that he was monitoring the situation in Anthony, where both the Jemez Pueblo and an Oklahoma tribe are interested in acquiring land for an off-reservation casino. Senator Ryan asked if New Mexico could adopt the model being used in Arizona, which could be more equitable and avoid the venue shopping issue like that occurring in Dona Ana County. Board representatives responded that Arizona had a model compact that gave the state the ability to actually enter the tribal casinos. Arizona tribes are able to purchase slot machines and then lease them to a gaming tribe, thereby raising revenue from the machines without operating a casino. California was mentioned, where there is a single casino and all California tribes share in the revenue.

The board representatives noted that there would be a big fight if New Mexico attempted to renegotiate the state-tribal compacts. In response to Senator Ryan's inquiry, the board representatives concurred it would be a "non-starter". Mr. Dutton noted that the Western Governors Association has expressed a view that Indian gaming was not intended to be a revenue panacea for every tribe, but to allow tribes with favorable locations to try gaming. This issue is a big debate nationally.

Senator Ryan asked if any tribal casinos were failing to make money. The board representatives responded that, while two New Mexico tribes were having some problems with the profitability of their casinos, all the casinos were making money. Mr. Dutton expressed the view that Indian gaming should be a conduit for additional economic development for the tribes. Representative Hector H. Balderas asked why non-tribal gaming revenues were rising. The board representatives responded that 90 percent of the patrons at the new Hobbs racino were from Texas. Local fraternal and nonprofit gaming had decreased due to the new racino. Representative Balderas also asked if the board has funds for policy research. The board representatives responded that it does not.

The board interim director, India Hatch, brought to the committee's attention an American Gaming Association survey that showed that the largest increase in gaming activity was during 2003-2004 and noted that gaming is becoming a more acceptable activity by the public. Representative Balderas conveyed that his constituents have high expectations for establishing a racetrack in Raton. He was told that New Mexico horse breeders are paying for an unbiased study by NMSU on the future of the horse racing industry in the state. Representative Heaton asked about whether country clubs are included in the definition of fraternal, veterans' and nonprofit organizations for the purpose of gaming. Carla Lopez, chair of the board, responded that the Internal Revenue Service (IRS) classifications were used to define those groups and that it would not be simple for a country club to change its IRS classification.

Representative Garcia asked about the future of Santa Fe Downs and was told that Pojoaque Pueblo is considering re-opening the track.

Senator Rainaldi asked about the cost of fingerprinting license applicants. Non-tribal applicants pay the fee, but tribes pay \$100,000 annually for regulatory oversight. The board can only comment if it has questions about a tribal applicant; the National Indian Gaming Commission has the sole authority to reject applicants. Criminal records are checked back to the age of 18.

Representative Balderas asked about the legality of video gaming machines. The board representatives explained that these Class 2 machines are not legal and are hard to distinguish

from Class 3 machines. Tribes are considering their use, and the United States Department of Justice is pursuing federal legislation to clarify Class 2 and Class 3 machines that would make Class 2 machines unattractive to tribes.

Asked if private companies run tribal casinos, the board representatives responded that each tribe has a management contract with a private company that is very lucrative for that company.

Representative Jose A. Campos asked a series of questions in an attempt to identify factors that have led to increases and dips in gaming revenue.

Scott Scanlon, representing Sunland Park, was given the opportunity to address some of the questions raised by committee members. He explained that Sunland Park became the first racino in 1999. The racino has approximately 750 slot machines that generate \$2 million each month for the state. With the expansion of hours of operation approved by the Legislature, an additional \$2.2 million in gaming tax revenue has been received by the state. All the state racinos generate over \$4 million per month in gaming tax revenue. Sixty percent of Sunland Park patrons are from Texas. Scanlon believes that the proposed Anthony casino will not be approved any time soon. Senator Ryan asked if the board has a position on the Anthony casino or the power to make recommendations. The board representatives responded that it does not; it is only regulatory.

Horse Racing

In the afternoon, the State Racing Commission, represented by Executive Director Julian Luna and Commission Chair David Sanchez, briefed the committee on the status of the horse racing industry. Racing days in New Mexico have been increasing from 247 days in 2004 to a predicted 316 days in 2007. Senator Ryan asked if race purses correlate to the revenues of that racino and what happens if a track does not want as many racing days as the commission. The commission representatives responded that purses stay at the track, and that one track has filed a lawsuit seeking fewer racing days than that mandated by the commission.

Asked if the commission takes positions on issues that affect tracks, the commission representatives responded that it does not, but that casino competition is not good for the tracks.

Senator Ryan asked about the potential effect of the proposed Anthony casino on Sunland Park. Mr. Scanlon, on behalf of Sunland Park, responded that the owner of Sunland Park has said that a casino would have a devastating effect on his track; it could lose 50 percent of its revenue. The venue shopping approach being pursued would be a bad precedent. But, the decision will be made at the federal level, and the city of Las Cruces will have little say in the decision.

Senator Ryan also asked about the commission's breeding program. Horse breeders receive 4.13 percent of 20 cents of each dollar that is dedicated to the Horsemen's Association.

Representative Heaton noted that racinos have revitalized horse racing and asked if racinos would like more, if not unlimited, slot machines. Sunland Park and the Zia racetrack would like more slot machines, since there is demand for them. Representative Heaton said he opposes the existing limit on slot machines.

Representative Campos asked if the state needs more racing days. The commission representatives responded that it will conduct a study at the conclusion of the Hobbs racino's racing season, but that the state can handle more racing days. Mr. Sanchez indicated that increasing the number of racing days is his goal. Mr. Sanchez and the committee discussed the factors in scheduling racing days, such as weather and the availability of stalls at the tracks. He thinks that there is a need for overlapping racing days, even though the tracks disagree, since they prefer few live racing days and more simulcasts. A track needs to hold four racing days per week in order to qualify as a racino.

Asked about the Raton track proposal, the commission representatives responded that the track could increase racing days by 40 to 50 days. Mr. Sanchez stated that another track was desperately needed.

Representative Al Park commended the commission and observed that track owners need to see themselves as horse racing tracks instead of casinos. The commission representatives observed that an established track can run 60 to 70 racing days annually. Both Hobbs and Sunray Park could handle more racing days, and the Downs at Albuquerque could also if improvements were made.

Representative Garcia noted that she has seen the beneficial ripple effect of Sunland Park, since small farmers in her area have been selling land to horse breeders and trainers. Mr. Sanchez asked if the Legislature can help address the problem with availability of stalls. The commission representatives responded that the Legislature could not help, but it was important that the horses in stalls at tracks are actually running in races. Also, more tracks and racing days would help. Sanchez asked how stalls are allocated and if New Mexican horse owners are given preference. The commission representatives responded that each track is required to run two races each day with New Mexican horses. At Sunland Park, 53 percent of the horses have New Mexico addresses.

The committee adjourned at 3:05 p.m.

**MINUTES
of the
SIXTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS
COMMITTEE**

**November 17 and 18, 2005
State Capitol, Santa Fe**

The sixth meeting of the Economic and Rural Development and Telecommunications Committee for the 2005 interim was called to order by Senator Bernadette M. Sanchez on November 17, 2005 at 10:10 a.m. in Room 322 of the State Capitol.

PRESENT

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair
Rep. Hector Balderas
Rep. Jose A. Campos
Rep. Daniel R. Foley (11/18)
Rep. Dianne Miller Hamilton
Sen. Clinton D. Harden, Jr.
Rep. Patricia A. Lundstrom (11/17)
Sen. Richard C. Martinez
Rep. Andy Nunez
Sen. William E. Sharer

ABSENT

Sen. Mary Jane M. Garcia
Sen. Carroll H. Leavell
Rep. Kathy A. McCoy
Sen. John Pinto
Sen. Leonard Tsosie

Advisory Members

Rep. William "Ed" Boykin
Sen. Dianna J. Duran
Rep. Ted Hobbs
Sen. Stuart Ingle (11/17)
Sen. Lidio G. Rainaldi
Rep. Debbie A. Rodella (11/18)
Rep. Harriet I. Ruiz
Sen. John C. Ryan
Rep. Richard D. Vigil

Sen. Ben D. Altamirano
Rep. Ernest H. Chavez
Sen. Phil A. Griego
Rep. John A. Heaton
Sen. Timothy Z. Jennings
Sen. Steven P. Neville
Rep. Al Park

(Attendance dates are noted for members not present for the entire meeting.)

Staff

Lisa Barsumian
Larry Matlock

Guests

The guest list is in the meeting file.

Thursday, November 17

After convening the meeting at 10:20 a.m. and confirming that a quorum was present, Senator Sanchez asked for approval of the minutes of each meeting held to date during the 2005 interim. The committee approved the minutes without objection.

Tourism Department

Joshua Rosen, deputy secretary of the Tourism Department, made a presentation on the state of the tourism industry in New Mexico. He presented statistics on the domestic travel industry. New Mexico is doing fairly well in a national comparison. The new off-road vehicle program is doing well. The agency is submitting requests for at least six special appropriations, including requests for marketing and advertising, a pilot project for hospitality training, preparation for the state centennial, marketing the X-Prize Cup and marketing New Mexico Magazine for a total of \$2.65 million.

Senator Martinez inquired about tourism promotion in northern New Mexico and was told that the agency's cooperative advertising program provides matching funds for communities to use for advertising. The senator wants publicity for the activities at the Northern New Mexico State College at El Rito. Representative Lundstrom expressed her interest in measuring the benefit of the money being spent by the department, both at the local and state levels. Asked about the prospect of a state minimum wage increase, Mr. Rosen replied that the issue was a critical topic at the recent New Mexico Lodging Association meeting. Representative Campos asked about auto-based tourism and was told that 80 percent of the state's tourism is auto-based. He also commented on the embarrassing condition of the state's visitor centers and was glad the department is taking action to improve them. Representative Ruiz asked about promotion of golf, which received \$50,000 in funding, and was told about various golf promotions being pursued. Representative Hobbs asked about the state float that will be in the Rose Parade and questioned its value to the state. Senator Ryan asked about the convention business and was told that business is down nationally and the Albuquerque Convention and Visitors Bureau is \$75 million in debt.

New Mexico Manufacturing Extension Partnership

Raymond Sanchez, representing the New Mexico Manufacturing Extension Partnership, explained that the partnership is submitting a request for a \$650,000 appropriation to continue the work it is doing on job creation.

Construction Industries Division/Regulation and Licensing Department

Lisa Martinez, director of the Construction Industries Division (CID), explained that she had met with several legislators regarding addressing the demand for timely building inspections across the state. CID is creating a prequalified inspector pool that can step in part time for several months if someone else is on vacation. Also, a pilot program for multiple inspector certifications is being created. This program is certifying inspectors in a second, third or fourth trade that will enable them to do the work of two people at the same time. CID has called every local building department around the state to ask how CID can help. The City of Santa Fe needs plan reviewers, while Rio Rancho has the most growth and needs electrical, plumbing and mechanical inspectors. CID has made sure people in those trades are available and that there are

more people working where there is more growth. If CID had all the needed financial resources, it still would not necessarily be able to find all of the inspectors needed. Inspectors come to CID as retirees. The work cannot be done straight out of college; it takes years of experience. CID is working with workforce training and has focused on investigating unlicensed construction activity. If people in workforce training get licensed, it helps to prepare them for careers later when they can become building inspectors. CID is interested in the committee's ideas and those of constituents. As the economy continues to grow, there has to be a big financial plan for expanding CID's resources and those of local municipalities. Looking at the growth in public school construction, the awards have increased from \$100 million to \$238 million this year. As this growth continues, CID must have increases in its budget to keep up. In 2004, SB 455 awarded some funds to CID and the State Fire Marshal's Office. CID used that money to hire more inspectors.

Senator Ryan commented on the Rio Rancho situation, explaining that the city is not satisfied with CID's response. He had hoped that the problem would be addressed administratively, but has concluded that legislation may be needed and asked if Representative Moore's bill would solve these problems. Ms. Martinez responded that she opposed decertifying inspectors, as proposed in Representative Moore's bill. Clovis, Rio Rancho and Las Cruces have huge growth. However, Clovis and Las Cruces have adopted plumbing and mechanical codes that are different from those required by CID. For that reason, CID cannot provide those cities with inspection services and they are on their own finding people to do that work. Senator Ryan expressed his hope that Rio Rancho would be allowed to hire its own inspectors, since the developers are willing to pay whatever they need to get more inspectors. Getting inspectors from a neighboring community did not work. Rio Rancho developers may be sitting on their heels, waiting for inspections when there should be a solution. The legislature can deal with the problem if CID cannot deal with it administratively. Ms. Martinez responded that, in one meeting with Rio Rancho, the city suggested the idea of using Albuquerque inspectors. Albuquerque was opposed to it. Senator Ryan suggested that Ms. Martinez develop legislation, to which she responded that she does not believe legislation is necessary. Representative Hamilton added that the shortage of inspectors is a problem in rural areas, to which Ms. Martinez responded that CID tries to distribute inspectors in the best way possible. For some small towns, inspectors are only there two or three times a week. Representative Foley asked if an individual has to be a licensed contractor to be an inspector and was told the individual does not. An individual needs a certain number of years of experience to qualify, pass a state certification exam and then pass a national exam to be hired. Other exams are required to become a licensed contractor. He added that he is hearing from the industry in his area that it wants inspections privatized. Representative Ruiz stated that she wants to be sure a house is inspected by an unbiased person. Ms. Martinez responded that Florida allowed outside inspectors and then had problems. Now, Florida has "outrageous" requirements and contractors are held responsible for 15 years; they must carry their bonds for that duration. Inspectors must be licensed contractors, licensed architects or engineers and carry \$1.2 million in insurance. Representative Ruiz asked if CID received money from contractors so that CID could hire more inspectors, to which Ms. Martinez responded that CID has not received any additional funds. CID has been approached by developers in Los Lunas and Belen, who have offered to pay for additional inspectors, and it has consulted with the Department of Finance and Administration (DFA) regarding the legality of the concept. DFA affirmed that the concept was legal, but that CID would need to be careful about how those inspectors are used and would have to make the inspectors generally available, not just to the contributors. Representative Ruiz asked about training young people to be inspectors through technical education programs or special high

school programs. Ms. Martinez responded that CID is pursuing ideas like that. Currently, there are no programs ready to train people in this field, although CID has an extensive training program. Asked about inspector salaries, Ms. Martinez responded that entry-level salary is \$12.00 to \$13.00 per hour. CID tries to hire inspectors at about \$16.00 per hour, but loses a lot of people who cannot survive on that salary. From a salary study, CID found that agency inspectors are paid \$2.00 to \$3.00 less per hour than local inspectors and counterparts in surrounding states. CID would like to find a way to fund a salary increase in order to hire and retain qualified people. A one-time request of \$363,000 would fund raising the starting salary and could be repaid through an increase in license renewal fees. Asked about the license fee, Ms. Martinez responded that the proposed increase would be \$12.00 over three years on a fee of about \$300 for a three-year license. CID is hopeful that getting funds from the Public School Capital Outlay Council will mean more money for more inspectors. If not, CID will ask for money for additional people. CID had a deficiency of 13 building inspectors at the start of the current administration. The legislature has granted CID enough funds for seven positions, but CID had six more positions 11 years ago. CID has virtually no administrative support. Two positions that were eliminated helped with permits. Senator Harden noted that while the state is growing, CID has lost inspectors and needs a bigger authorization and nobody is asking for it. Senator Sanchez requested that CID provide the committee an estimate of how much money and the number of positions the agency would need. Representative Foley suggested that CID should have a formula in statute. Ms. Martinez commented that she has done research on how other states deal with these trends and that some building departments have enterprise funds through which the departments are able to raise more money and hire inspectors at times of greater demand.

Business Incubator Certification Program Advisory Committee/Economic Development Department

Marie Longserre, chair of the advisory committee and president of the Santa Fe Business Incubator, briefed the committee on the state's new business incubator certification program. She noted that 87 percent of all businesses in New Mexico have fewer than 20 employees. Every dollar invested in a business incubator generates \$30.00 in local tax revenue. A U.S. Department of Commerce study found that businesses stay in the community where they were incubated and that the public cost is extremely low. In 2001, there were 35,000 start-ups in North America that created 82,000 jobs and \$7 billion in wages. The Santa Fe Business Incubator has created 400 jobs and brought in \$13 million in grants and outside money. Its companies pay in the neighborhood of \$7 million in payroll. She thanked the legislature for passage of HB 54, sponsored by Representative Heaton, in 2005. Certification is now a requirement to receive state funds. There is a lack of understanding about what incubators can and cannot do. The intent of the certification program is to require research and planning and to ensure a solid market and financial base and community support. There has been concern that certification would be difficult for small communities, but certification can be whatever works best for the community. Components for certification are community support, a mission statement, a governing body, a business plan that shows financial viability, staff, some sort of business assistance programs or active partners and facilities that encourage innovation and networking. The goal is to take in clients and graduate them. A feasibility study helps to set up the program and get the program off to a good start. Anticipated applicants in the near future are the Santa Fe Business Incubator, Westcorp Broadway Incubator and Carlsbad. The new South Valley center has not opened yet. Other communities with an interest include Alamogordo, Bernalillo, Clayton, Las Vegas, Las Cruces, Pojoaque, Raton and Tucumcari. These sites do not have the infrastructure, but they start the process. A request for funding was

taken out of the 2005 bill. The 2006 request is for \$500,000 for program implementation and start-up.

Friday, November 18

The committee reconvened at 9:08 a.m.

Jon Tull, acting deputy secretary of the Economic Development Department (EDD), appeared on behalf of Secretary Homans. Mr. Tull reported that the special appropriations presented yesterday to the committee the previous day are only the recommendations to the executive. The department has nine bills and has heard back from the administration on three of them. The secretary believes the best approach is to include the legislative initiatives in the department budget, but he does not object to the submission of individual bills, if that is the preference of the committee. The three bills that have been approved include abolishing the Office of Space Communications and transferring its duties to the new Spaceport Authority, cleaning up language relating to building on leased land rather than only state-owned land and creating a business incubator board. The department's special appropriations requests have not been approved by the executive, but the legislative finance committee (LFC) hearing went well because there was no opposition. Senator Sanchez noted that the committee had voted to support the special appropriations and asked if the committee wants to do a committee bill or committee members want to sponsor the appropriations individually. Mr. Tull responded that all the appropriation requests are included in the department's budget request.

Film Industry Representatives

Christopher Coppola, president of Ears XXI, a digital filmmaker from Los Angeles and Albuquerque, and Nicolas Paine, head of production for Ears XXI, offered a briefing on their plans for Project Alternative Hollywood. Mr. Coppola, noting that he has been branded a "digivangelist", explained that big companies, like Wal-Mart, like what his company is doing in Los Angeles, which is using pro-consumer, cheap equipment. The digital infrastructure is cheap compared to a Hollywood studio. He explained the changing nature of digital filmmaking and the new forms of distribution, such as iPods and cell phones. It will be easier to build the proposed digital studios in New Mexico than in California. In their travels across the state, they have found lots of enthusiasm. They have been meeting with representatives here and in the governor's office. They observed that the state's film incentive program has been a big success and there will be more large-scale productions coming to the state. Ears XXI sponsors the Duke City Shootout in July, using students from Albuquerque TVI and the film training program. Participants are interested and eager, but do not have the experience. Seven short films are made in seven days. There is a need to expand the pool of local New Mexico residents trained to work in the film industry. The company champions the independent filmmaking process on a smaller scale. The shootout is a good opportunity to learn how to work in a professional environment in a short period of time. Project Alternative Hollywood proposes shooting 10 low-budget films on a production schedule of 18 days and shot back-to-back-to-back with the same crews. It would be intensive hands-on training. At the end of that experience, the skills learned would provide individuals with the opportunity to continue working with Ears XXI or on larger-scale Hollywood pictures. The production of the 10 films would occur in five different counties — not just in Santa Fe and Albuquerque, but also in Dona Ana and Chaves counties, and perhaps Sandoval County. The crews would be a mix of qualified union professionals in key positions and supervising film training students. With regard to infrastructure, there would be a sound studio and post-production facility, which allows projects to be overseen all the way through to

delivery. Final-cut professional HDD cameras are used, which are cheaper than film cameras. Smaller digital studios would be located throughout the state. Larger studios are still in development, but the smaller studios can be built quickly to facilitate projects. This kind of digital production will increase as prices come down and younger peoples' interests rise. Mr. Coppola noted that anything can be shot in New Mexico, even high-seas adventures. Ears XXI's proposal keeps projects here from beginning to end, whereas Hollywood comes but then leaves. Its proposal is a public-private partnership in which it is trying to generate interest.

Representative Campos asked how much is money needed to construct a digital stage and was told that the amount is in the range of \$600,000 to \$1.2 million. Asked whether aircraft hangars could be used, Mr. Coppola said that hangars are expensive. One hangar was huge, but noisy and echoing. Retrofitting would have to be cheaper than constructing a new building. Representative Campos recommended checking out Cannon Air Force Base. Mr. Coppola described establishing production through interconnected hubs around the state. If a big film company wanted to do a big movie in Roswell, for example, it could invest in 3-D and beam the product where needed. The entire state could work on one project. Both India and China are doing this. Representative Hamilton asked if Ears XXI wants the state as a partner in the creation of this studio. Mr. Coppola responded that the venture would be public and private. He said that the state has the training program; private contributions would be eligible as a tax write-off; his company is private; and anyone, including the state, that invests in the project would get their money back. Seed money is needed and since Ears XXI want Wal-Mart and Intel to take interest, those companies will have the first opportunity. He has some money personally invested. Representative Garcia asked how much seed money is needed and was told that for the initial production Ears XXI will invest in the range of \$300,000 to \$400,000. If the studio concept is intriguing, exploratory public funding will be needed but they were not prepared to say exactly how much state funding would be necessary at this point. Representative Balderas asked where the studios would be located if the state were to invest in this project and was told they are looking for sites and it would be good to have sites close to existing training programs, whatever works for each county and is closest to the schools. Each site can be different. Asked about any discussions with universities, Mr. Coppola said that they had met with Santa Fe Community College, Albuquerque TVI, ENMU-Roswell, ENMU-Ruidoso and NMSU. He added that New Mexico has done a very good job at building the film production industry in the state. There are now 1,000 union members and the four training sites.

Following the Ears XXI presentation, Jon Hendry, a New Mexico filmmaker for the past 20 years, explained the state's ongoing activities to promote the film industry.

Other Presentations

Carol Radosevich, representing Incentives for Jobs, outlined its eight-item 2006 legislative agenda. These items include:

1. appropriate \$10 million to the job training incentive program;
2. appropriate \$2 million to the New Mexico Economic Development Partnership;
3. increase the appropriation for a cooperative advertising program at the Tourism Department to \$1 million;
4. make available up to \$10 million for the business incubator development program on a matching basis to build new or expand existing incubator facilities and provide up to \$500,000 in operating funds for new and existing incubators;
5. provide a gross receipts tax deduction for receipts from the sale of research and development services sold to the federal government and a compensating tax

- deduction for articles used or consumed in the state as part of a research and development contract;
6. provide a five percent credit on the value of manufacturing equipment for New Mexico manufacturers making components or systems for renewable energy vehicles, fuel-cell systems or renewable energy systems that use solar, wind, geothermal landfill gas or biomass as the energy source;
 7. make a special appropriation of \$500,000 to the eight start-up and satellite Main Street communities for revitalization resources and services and the addition of 10 new communities to the program. Provide \$4 million to the Main Street Capital Outlay Fund; and
 8. approve the formation of tax increment financing districts by local governments.

Dick Minzner, representing Forest City Covington, offered details on the concept of tax increment financing (TIF). TIF permits local governments to develop infrastructure along with the opening of a new development. Over 40 states allow something similar. Once a new development goes into place, or in an urban area like Las Cruces, the increased tax revenues and property taxes due to increases in land value can, or may, be dedicated to support the infrastructure of the development, roads, schools and the like. A city knows it is going to have a source to pay for the infrastructure and does not have to wait. The developer knows the infrastructure will be there. It is a local government option; a city can decide the proposal is worthwhile and dedicate some of the gross receipts tax revenue for the purpose of developing infrastructure. The same would be true with property taxes. TIF permits development of infrastructure on a pay-as-you-go basis. The mechanisms in the proposed legislation provide for the formation of a TIF district, a procedure whereby local governments can create the district on their own or by petition of the landowners, but the idea is to assure both sides, the city or county and the developer, that the money for infrastructure will be there when it is needed. Senator Sanchez asked if this policy change would be on the governor's "call" for the 2006 session, and she was told that the governor is expected to send a message for this bill. Representative Campos moved to accept the TIF proposal as a committee bill. There was no objection.

Ms. Radosevich provided details about the five percent tax credit on manufacturing equipment for New Mexico manufacturers making components or systems for renewable energy: if a manufacturer makes parts for the things that make renewable energy, it could receive the tax credit. Senator Ryan asked if these types of companies are ready to come into the state and was told that companies are being recruited in this sector. The committee endorsed the tax credit proposal.

Legislative Recommendations and Endorsements

Representative Vigil made an unsuccessful attempt to obtain the committee's endorsement for legislation, which had previously failed, to allow the sale of liquor on Sunday by certain stores.

Senator Sanchez pointed out that this proposal was a policy bill, not a money bill. Representative Campos mentioned that he had sponsored the 2005 renewable energy transmission line bill that had passed the house and passed out of senate committee, but did not reach the senate floor. He stated that it will create jobs in the rural areas and asked for the committee's endorsement. The committee endorsed the bill without objection.

Committee staff sought clarification on whether the committee wants to consider a proposed 10 percent income tax credit for purchasing recycling equipment made by the recycling coalition. Representative Nunez commented that it is better to have just one committee endorse the bill.

Senator Sanchez reminded the committee that legislation does not need a sponsor on both sides.

Committee staff reported that Senator Ryan requested the additional funds for CID. Representative Ruiz requested to be the house sponsor. Representative Campos questioned the \$1.6 million amount as too high, to which Senator Ryan responded that CID came up with \$1.2 million for the 11 total staff and \$400,000 to increase the pay from \$13.00 to \$17.00 per hour. Representative Ruiz added that she had asked about using retired construction people, who do not want to be state employees, but want to be contract inspectors, instead of hiring state employees. Senator Ryan stated there was other language relative to cross-inspections and developing a pool of inspectors. An attempt is being made to put together a package. If people add things that CID does not want, it will have to be worked out. Senator Sanchez asked if CID is contracting for inspectors currently and was told that inspectors are state employees right now. But if CID hires 11 more inspectors and the industry takes a dive, the state will be responsible for 11 more inspectors twiddling their thumbs. Some nepotism is going on, which can result in inferior inspections. The state could save some money if there was a pool of available contractors who are retired and know their trade, but do not want to be state employees.

Committee staff pointed out that the remaining items are special appropriations requests, including some that are part of the Incentives for Jobs package. The difference may be that the Incentives for Jobs package may request a higher amount than EDD presented to the LFC and the governor. EDD has presented this package to the LFC and the executive, although it has yet to be approved. EDD feels that individual bills could be helpful, harmful, appropriate or inappropriate. Senator Sanchez commented that the committee should put some bills forward as individual bills. Representative Nunez suggested the committee approve them in concept, noting that EDD said the agency would put the special requests in its budget, not as individual bills. (See the attached final list of committee bills and endorsed requests.)

The committee adjourned at 10:51 a.m.

APPENDIX

**ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS COMMITTEE
2006 LEGISLATIVE REQUESTS APPROVED BY THE COMMITTEE**

November 18, 2005

REQUEST	SPONSOR	COMMITTEE ACTION
Authorization of Tax Increment Financing		Endorsed
\$500,000 to continue Rural Readiness program of the New Mexico Rural Development Response Council	Senator Garcia Representative Campos	Committee bill
\$250, 000 for New Small Agriculture Producer Matching Grant Program at New Mexico Department of Agriculture		Endorsed
\$375,000 to Support Arrowhead Center at New Mexico State University	Representative Nunez	Committee bill
\$7 million to Establish Aerospace Engineering Program at New Mexico State University	Senator Garcia Representative Garcia	Committee bill
\$1 million to Create Individual Development Accounts through Governor's Office of Workforce Training and Development	Senator Sharer Representative Lundstrom	Committee bill
\$100,000 for Consulting Services to Evaluate Cost Effectiveness of Tourism Department Programs	Representative Lundstrom	Committee bill
\$650,000 to Economic Development Department to support NM Manufacturing Extension Partnership		Endorsed
\$1.6 million for 11 Additional Building Inspectors for the Construction Industries Division of the Regulation and Licensing Department	Senator Ryan Representative Ruiz	Committee bill
Special Appropriation of \$500,000 to Economic Development Department for Main Street Program		Endorsed
Special Appropriation of \$500,000 to Economic Development Department for Cooperative Advertising Program		Endorsed
Special Appropriation of \$150,000 to Economic Development Department for		Endorsed

**ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS COMMITTEE
2006 LEGISLATIVE REQUESTS APPROVED BY THE COMMITTEE**

November 18, 2005

Certified Communities		
Special Appropriation of \$250,000 to Economic Development Department for Small Business Regulatory Relief Advisory Commission		Endorsed
Special Appropriation of \$100,000 to Economic Development Department for International Trade Missions		Endorsed
Special Appropriation of \$500,000 to Economic Development Department for Business Incubator Development Program		Endorsed
Special Appropriation of \$50,000 to Economic Development Department to Create Incubator Board		Endorsed
Special Appropriation of \$100,000 to Economic Development Department for Office of Mexican Affairs International Business Accelerator Program		Endorsed
Special Appropriation of \$100,000 to Economic Development Department for Rural Economic Action Partnership (REAP): Economic Stimulus Grant		Endorsed
Special Appropriation of \$250,000 to Economic Development Department for Marketing Support		Endorsed
Special Appropriation of \$2,000,000 to Economic Development Department to Support New Mexico Partnership		Endorsed
Special Appropriation of \$10,000,000 to Economic Development Department for Job Training Incentive Program (JTIP)		Endorsed
Special Appropriation of \$50,000 to Economic Development Department for Filmmaker's Seminar		Endorsed
Gross receipts tax deduction for receipts		Endorsed

**ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS COMMITTEE
2006 LEGISLATIVE REQUESTS APPROVED BY THE COMMITTEE**

November 18, 2005

from the sale of research and development services sold to the federal government and a compensating tax deduction for articles used or consumed in the state as part of a research and development contract.		
Provide a five percent credit on the value of manufacturing equipment for New Mexico manufacturers making components or systems for renewable energy vehicles, fuel cell systems, renewable energy systems or clean coal technology that use solar, wind, geothermal landfill gas or biomass as the energy source.		Endorsed
\$1 million appropriation for New Mexico Renewable Energy and Transmission Authority		Endorsed